



A&M INSIGHTS

Are you 'Ready to Run?'

How to manage COVID-19's impact on European Operations and Supply Chains

The COVID-19 pandemic has sent shockwaves throughout global communities, dislocating international supply chains and forcing operations to safely close down or to run and operate under new regimes.

As a result, with revenues falling, organisations globally have rightly focused on pivoting to cash and business continuity actions. We call this phase 'Keeping Fit.'

When the world opens up for business again, the inevitable 'gold rush' and competition for people, skills, services, raw materials and supply chain support will be a new effect of the crisis.

As we enter this new phase, organisations should consider implementing rapid actions focused on how to start up efficiently without wasting the business continuity actions they have already taken to stay fit. Managing the migration from 'Keeping Fit' to 'Go' will be vital in returning to a sustainable business model.

Is your organisation 'Ready to Run'?

Based on our operational and industry experience, we have developed a rapid end-to-end operations and supply chain health check, which determines how fit your organisation and operations are to return to a sustainable running condition, as well as providing a clear actionable roadmap to being ready.



We have developed a rapid end-to-end operations and supply chain health check

A&M's 'Ready to Run' approach supports the organisation across our four key stages pinpointing the critical aspects of operations that should be resolved, improved, or changed whilst preparing to start back up and returning to 'normal'. Our model illustrates our concept of:

- Moving from crisis management during the lockdown phase 'Keep Fit'
- To 'On Your Marks', assessing the end-to-end business landscape and identifying risk averse measures and contingencies
- To 'Get Set', the deep diving on a site-by-site basis and layering in contingencies
- And finally, moving into the 'Go' phase, resulting with the In-Play Strategy which will likely introduce ongoing strategic changes



A&M's Ready to Run Approach



Keep Fit



On Your Marks



Get Set



Go

COVID-19 Crisis Measures

Crisis Centre 

Health & Safety 

Liquidity & Cash 

Operations Pause or Shutdown 

Baselining Resilience & Business Landscape

Diagnose & Access



- Demand (2020 plan)
- Customer Status
- Supply Chain Resilience
- Group Operation Status
- People Availability
- Site x Site Status

- Baseline Review
- Gap Analysis
- Clear Direction
- Concrete Actions

Establish the Basics Site by Site

Final Preparation - 'all here'?
'hands on' 4M Approach



Man



Machine



Material



Methods

#LeanEBITDA

Be Diligent

Be Agile



Plant A



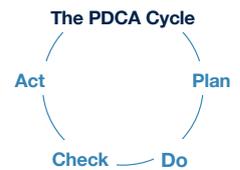
Plant B

In-Play Strategy

Detailed Ramp-up Planning



Meticulous Shop Floor Management



Emerge stronger and more resilient from crisis



Strategic Opportunities



1 Keeping Fit

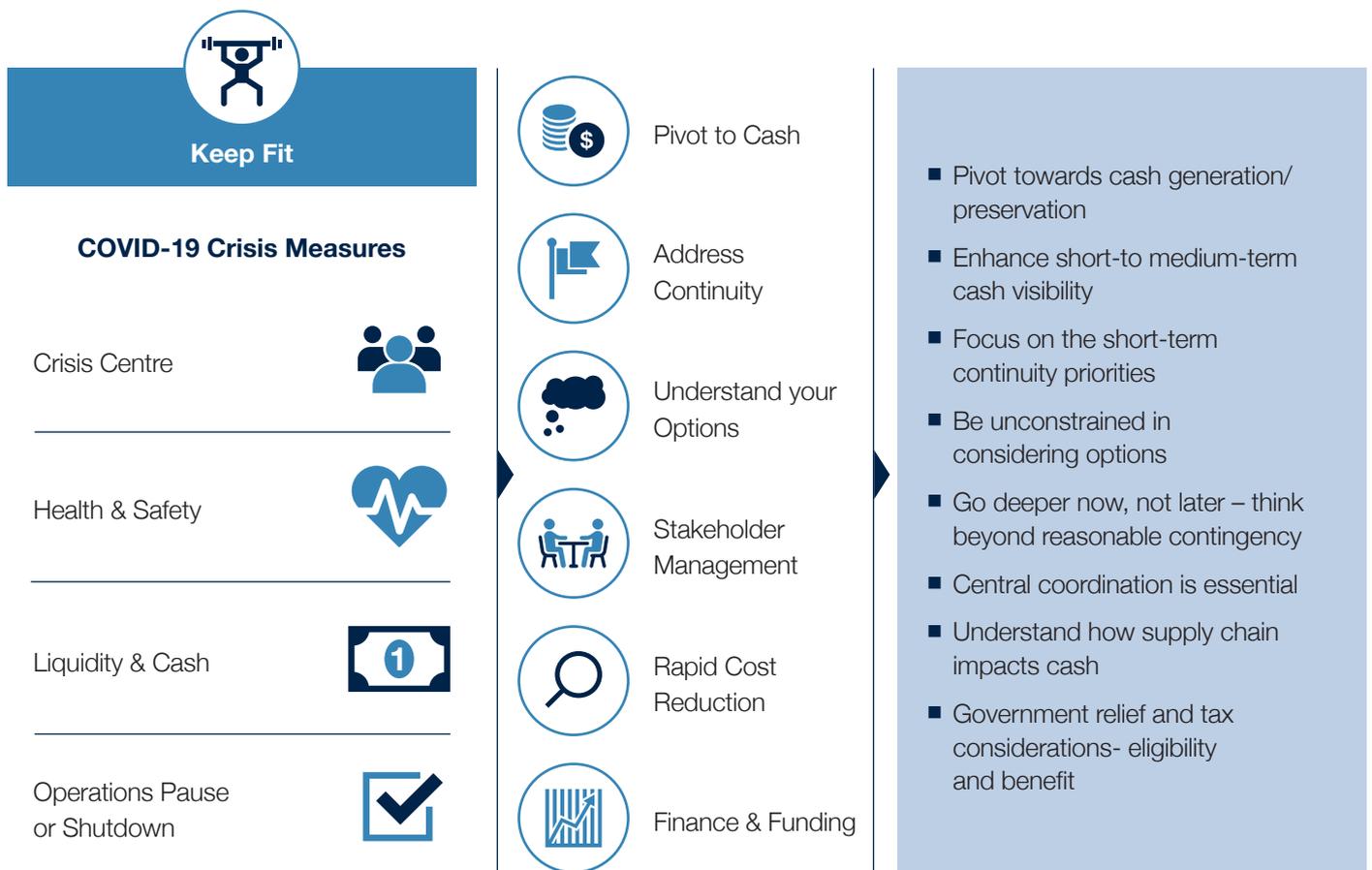
Immediate actions to Pivot to Cash combined with Business Continuity actions.

The imposed COVID-19 restrictions meant most organisations had to take draconian actions to protect the health and safety of their workforces and, in parallel, move into business survival mode to protect ongoing viability.

After the welfare of staff, cash should be the number one focus for businesses. Historic focus on growth, margins, cost efficiency etc. should now be replaced with an immediate understanding and prioritisation of liquidity measures. Our Pivot to Cash approach could help businesses navigate through this difficult period and provide much needed liquidity options whilst plans are underway to resume trading.



‘Keeping Fit’ - A&M’s Crisis Response Framework





On Your Marks

Baselining Resilience & Business Landscape

Diagnose & Access



- Demand (2020 plan)
- Customer Status
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- Has the demand profile for 2020 changed significantly?
- Are my products/services affected by COVID-19 ongoing?
- Are my customers up and running and is there a phased demand profile to consider?
- Do they have cash problems?
- Has the supply chain restarted and is it robust enough to meet new demand requirements, do we need an alternative supply base?
- Do we have access to a workforce capable of meeting new demand needs?
- Across the group, globally, are there restrictions still in place affecting mobilisation plans?

What is the current business landscape? Is your business resilient enough to continue from the previous condition or do you need to adapt now, quickly?

While initial survival actions are essential, of equal importance are preparations to get back on track and 'Ready to Run.'

With supply chains in a fragmented state and support infrastructures depleted, it is critical that an urgent assessment of the emerging, new business landscape is carried out.

Operating conditions previously taken for granted may have been grossly affected by the global changes, the implications of which could be severely damaging to an underprepared business.

Developing a clear and up-front visibility of the end-to-end operation and supply chain is crucial. Matching capability to demand and, in parallel, identifying areas of weakness or risk are core attributes of our assessment and approach. Tried and tested processes pre-COVID-19 may only offer a reduced capability and may not be fit-for-purpose in the new market environment; therefore, new processes and ways of working may need to be overlaid to combat newly uncovered operating conditions both intercompany and external.



On Your Marks



Get Set



Go

Baselining Resilience & Business Landscape

Establish the Basics

In-Play Strategy

 <p>Demand Profile/Sales Orders</p> <p>Customers/order health check</p>	 <p>S&OP/ Production Planning</p> <p>Current plan viability</p>	 <p>Supply Chain Resilience</p> <p>Internet/external supply chain confirmation</p>	 <p>Utilities Readiness</p> <p>Site health check</p>	 <p>People Readiness</p> <p>Welfare and skills confirmation</p>	 <p>Equipment Readiness</p> <p>Ready to run confirmation</p>	 <p>Production Cycle</p> <p>Operational readiness confirmation</p>	 <p>Built in Quality</p> <p>Confirmed customer acceptance</p>	 <p>Internal/ External Logistics</p> <p>Transportation vendor review</p>
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3 Get Set and Strategic Opportunities

Is your business model agile enough to compete in the new operating landscape? Is your organisation progressive enough to continually drive bottom line performance both during and after the recovery period? Are you positioned to take advantage of emerging strategic opportunities?

Assessing the business using pointed diagnostics and being able to rapidly respond with a structured approach to restore business continuity is a distinct competitive advantage.

Widening the analysis further will introduce and allow multiple strategic considerations to come into play. Opportunities to optimise footprint, deal with capacity redundancy, increase focus surrounding product rationalisation and strengthen the core business through surgical acquisitions should all feature in future strategic pursuits.



Confirm the basics

- Define S&OP and detailed production plans
- Rebalance capacity, which may mean engaging sister facilities and support networks
- Mobilise the workforce and rapidly close any resource gaps or skills deficits
- Optimise model/product mix for maximum financial benefit
- Increased performance management and follow up

Strategic opportunities

- Footprint optimisation
- Product rationalisation
- Vertical integration and portfolio strengthening acquisitions



Get Set

Establish the basics site by site

Final Preparation - 'all here'? 'hands on' 4M Approach



Man



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Methods

#LeanEBITDA

Be Diligent



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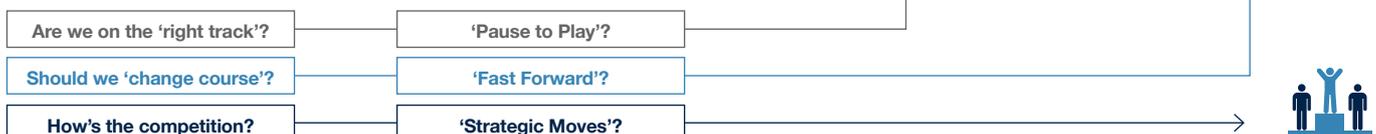


Plant A



Plant B

Strategic Opportunities





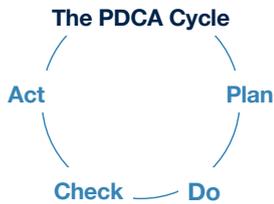
Go

In-Play Strategy

Detailed Ramp-up Planning



Meticulous Shop Floor Management



- Group nerve centre – centralised control and awareness
- Increased management cadence with greater levels of visibility and support
- Increased responsiveness to demand fluctuation and capitalisation of supply chain availability
- Accommodate new working regimes (increased PPE needs, working conditions, shift patterns, remote working, people management through high traffic areas etc.)
- Short interval controls to drive greater local level accountability
- Rapid problem solving
- Increased communication levels and measurements to further engage employee's whilst a possible staged return is needed

Have you prepared the business for success? Have your considerations been thorough enough to deliver a sustainable platform to build upon?

Ensuring new working regimes and conditions previously deemed unnecessary, have been integrated into the operating environment, and tighter short- to medium-term controls have been put in place to drive efficiency could be paramount to success during the return phase.

As the return to normalised operations begins to gain traction, companies will also need to consider the longer-term implications of supply chain and operational design.



Transitioning through a post-lockdown COVID-19 landscape and taking stock on how the pandemic has affected existing supply chains and operations only represents the start of the evolution.

The question now being asked and prompting a rethink among global business communities is: how do we mitigate supply shocks and subsequent operational losses arising from any/similar events in the future? For instance, companies that have high dependencies on supply chain routes out of Asia are now looking at diversifying where possible and are trying to retain low cost efficiencies, bringing the supply chain closer to the end user markets and building in new levels of resiliency, continuity, and flexibility. This may involve the introduction of non-conventional new skills, support systems and approaches. An example of one of those approaches is A&M's #LeanEBITDA approach.

#Lean EBITDA – Have you installed processes capable of continually driving bottom line performance? Do you feel your organisation is motivated and culturally mature enough to deal with emerging from survival mode to build for growth?

Our #LeanEBITDA approach offers a hands-on focused activity that is driven to be execution and results orientated. Our view is simple: A (Actions) + B (Initiatives) = C (cash/EBITDA improvement).

As companies come to terms with integrating and adapting to a post COVID-19 world, it has never been more critical to minimise the impact of diminished revenue streams whilst maximising returns. Companies that adapt and apply rapid diagnostics and transformation methodologies, combined with know-how and hands on focus to lead change at pace, could benefit significantly at being able to outpace competition.





How A&M can help

A&M has worked with some of the largest European and global organisations to stabilise financial performance, transform operations, catapult growth and accelerate results through decisive action. When traditional improvement activities are not enough, A&M's restructuring and turnaround heritage brings fact-based, action-oriented leadership to transformation and delivers rapid results.

Our professionals have both operations and advisory experience together with a proven track record in leading businesses through touch, complex situations:

- Rapid diagnostics and transformation
- Footprint optimisation/relocation
- Workforce rightsizing
- Operational excellence and lean implementation and coaching
- World-class shop floor management
- Interim/C-suite deployment
- Value stream optimisation
- Supplier optimisation and resilience building

In this document, we've covered an overview of our 'Ready to Run' approach and would be more than happy to discuss the approach and the stages in more detail. Please contact one of the following Corporate Transformation Services team members for further support.

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ABOUT ALVAREZ & MARSAL

Companies, investors and government entities around the world turn to Alvarez & Marsal (A&M) when conventional approaches are not enough to make change and achieve results. Privately held since its founding in 1983, A&M is a leading global professional services firm that provides advisory, business performance improvement and turnaround management services.

With over 4500 people across four continents, we deliver tangible results for corporates, boards, private equity firms, law firms and government agencies facing complex challenges. Our senior leaders, and their teams, help organizations transform operations, catapult growth and accelerate results through decisive action. Comprised of experienced operators, world-class consultants, former regulators and industry authorities, A&M leverages its restructuring heritage to turn change into a strategic business asset, manage risk and unlock value at every stage of growth.

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