

From risk to corporate resilience

BELRIM presentation

March 2023



CONFIDENTIAL AND PROPRIETARY
Any use of this material without specific permission
of McKinsey & Company is strictly prohibited



Who is with you today?



Alfonso Natale

Partner, leader of McKinsey's Corporate Risk & Resilience Service Line

Leader of McKinsey Risk & Resilience practice in the Mediterranean Complex



Maribel Tejada

Associate partner, core member of McKinsey's Corporate Risk & Resilience Service Line

Leader of McKinsey Risk & Resilience practice in Benelux

3 burning questions



Turbulent times: are you a winner or a survivor?



Transformation — too big to succeed?



Resilient companies — what is the secret sauce?

The 5 factors that accompany major structural turning points are all present in today's global economy



Geopolitical order

Russia invades Ukraine
US-China competition
Evolution of U.S - EU
Trade & Technology
Council



Economic structure

Supply chains, labor
market, and, inflation
remain altered after
COVID
China slips out of 'top-
gear' growth
Increased focus on
stakeholder concerns



Demographics

Global "peak child"
reached
"Baby Boomers" retire in
West
Dependency ratio for
many countries at
inflection point (now
rising)



Technology platforms

Saturation point close
for smartphones and
internet
COVID-19 accelerated
digital adoption by ~7
years
Rapid development and
adoption of AI and
cloud/edge/trust
architecture



Resource and energy systems

Historical under-
investment in future
energy system
transitions
Price spikes and
volatility across energy
and commodities
Energy security gains
new salience, scramble
to secure supply

Impacts are asymmetric across sectors



Banking industry heavily impacted by rising interest rates and reduced economic activity

-10% fall in MSCI ACWI Banking Index YTD (Dec 2022)



AI heavily impacted by pandemic, geopolitical tensions, supply chain disruptions (e.g., battery, semiconductor), and policy events

-15-25% reduction in pre-tax profits³



Windfall profits from price rises for GEM sector — but regulatory action starting to kick-in in Eurozone, and stranded assets from energy transition

+53% increase in oil prices²



TMT undergoing significant business discontinuity due to pandemic, market saturation, and Big-tech regulation

~\$260 Mn global spend by Big-Tech companies in fines & legal assistance



Consumer products sector suffering driven by supply chain struggles, rising cost of inputs, inflation pressure and shortage of labor

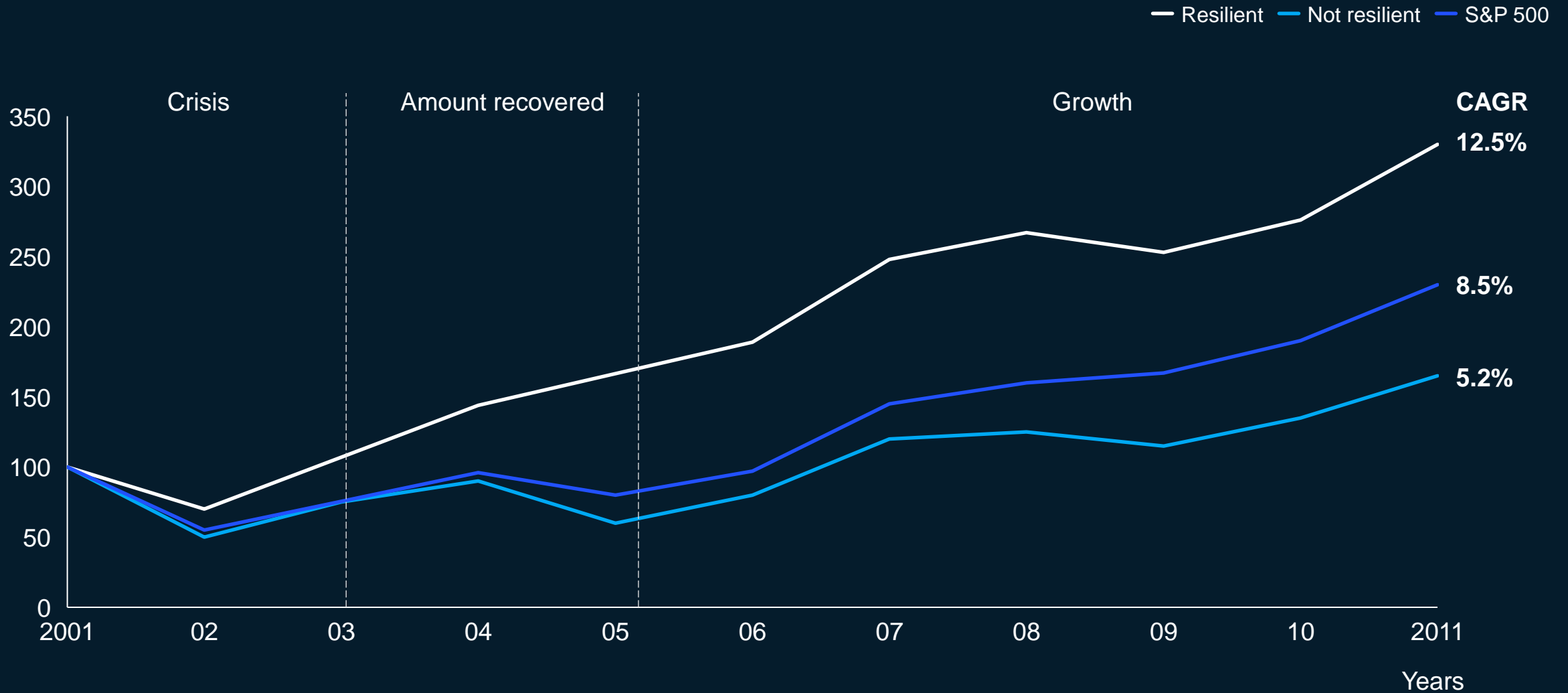
-10% decrease in consumer confidence in Eurozone

1. Top 3000 companies in terms of market cap for each of the industries
2. Increase in in since 2021
3. Estimates for major car manufacturers in 2021

Source: S&CF Insights, S&P Global – Capital IQ

Resilient companies take all, and are able to create more value in times of recovery and growth

TRS performance during financial crisis



What can we learn from resilient companies?

Strategic moves

- Portfolio changes
- Mergers & acquisitions
- Resource reallocation

Reinvent the business

- Expand to adjacent businesses
- Create new businesses
- Revamp the operating model

Foresight

- Scenario development
- Mapping and prioritization of threats/opportunities
- Impact assessment
- Response plans development
- Embedded governance



Operational excellence

- Obsessed with efficiency
- Best Practices
- Technology as a key pillar

Accelerated growth

- Granular opportunities
- Multichannel
- "Where to compete"

Through-cycle mindset

- Protect their investments
- Preserve innovation
- Focus on people development

Resilient companies leverage crises to transform themselves, act faster and are more agile

Key resilience themes across corporates

1 Geopolitical Resilience

Building geopolitical resilience amid a fragmenting global order

2 Climate, Food and Energy

Accelerate transition to net-zero ensuring availability of energy, food and water

3 Trade & Supply Chain Resilience

Re-setting supply chains in the new global context

4 People, Education, Organizational Resilience

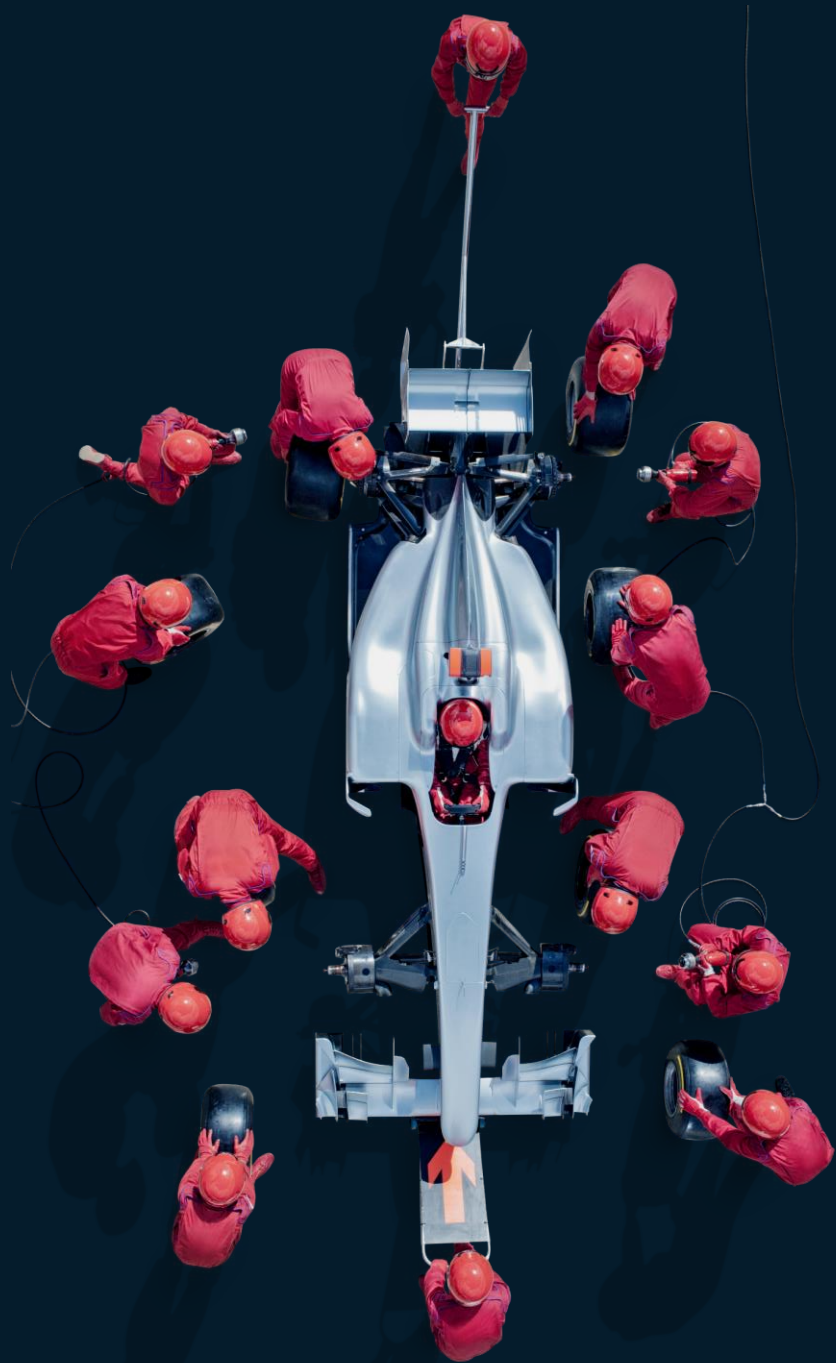
Preparing people and organizations for the future of work

5 Healthcare Resilience

Adding extra higher-quality life and bridging the life expectancy gap

6 Digital & Technological Resilience

Adopting digitization and technology for secure, ethical, and inclusive growth



“ ” You cannot overtake 15 cars in sunny weather, but you can when it's raining

- Ayrton Senna

Resilience is ...



“The ability to innovate and simplify, look for solutions that help to enhance everyday activities so that people can devote themselves to high-value-added activities by delegating as much as possible to machines.”

“Finding opportunities from crises and threats”

“Advanced capabilities on business continuity and crisis management, dynamic scenario analysis and planning, balance-sheet strength and operational agility”

“The natural capacity to respond decisively to crises and potential disruptive events, minimizing damages and enhancing opportunities”

“Ability and strength to continue the vision of the company despite setbacks; go from reactive to proactive; move from post-strategy to pre strategy”

“The underwater portion of the iceberg of our risk management organization; the capacity of the company to sustain the impact of events after applying emergency measures; our culture, our team sense, our leadership, and our feeling that our organization is among the best.”

“An ongoing optimization process.”

“The readiness to continue to provide products and services to our customers no matter how much the external context changes or worsens.”

“To execute our strategy, we need to make sure that we adapt to real-life changes—including the pandemic, energy transition, etc.”

“The ability to resist the impact of crises and big events; meeting objectives and goals; providing business continuity and service customers”

How to build on resilience? Resilient growth is based on 8 main elements



1 Response

Do I have the right capabilities and am I acting on all resilience levers to respond adequately to the current situation?

2 Foresight

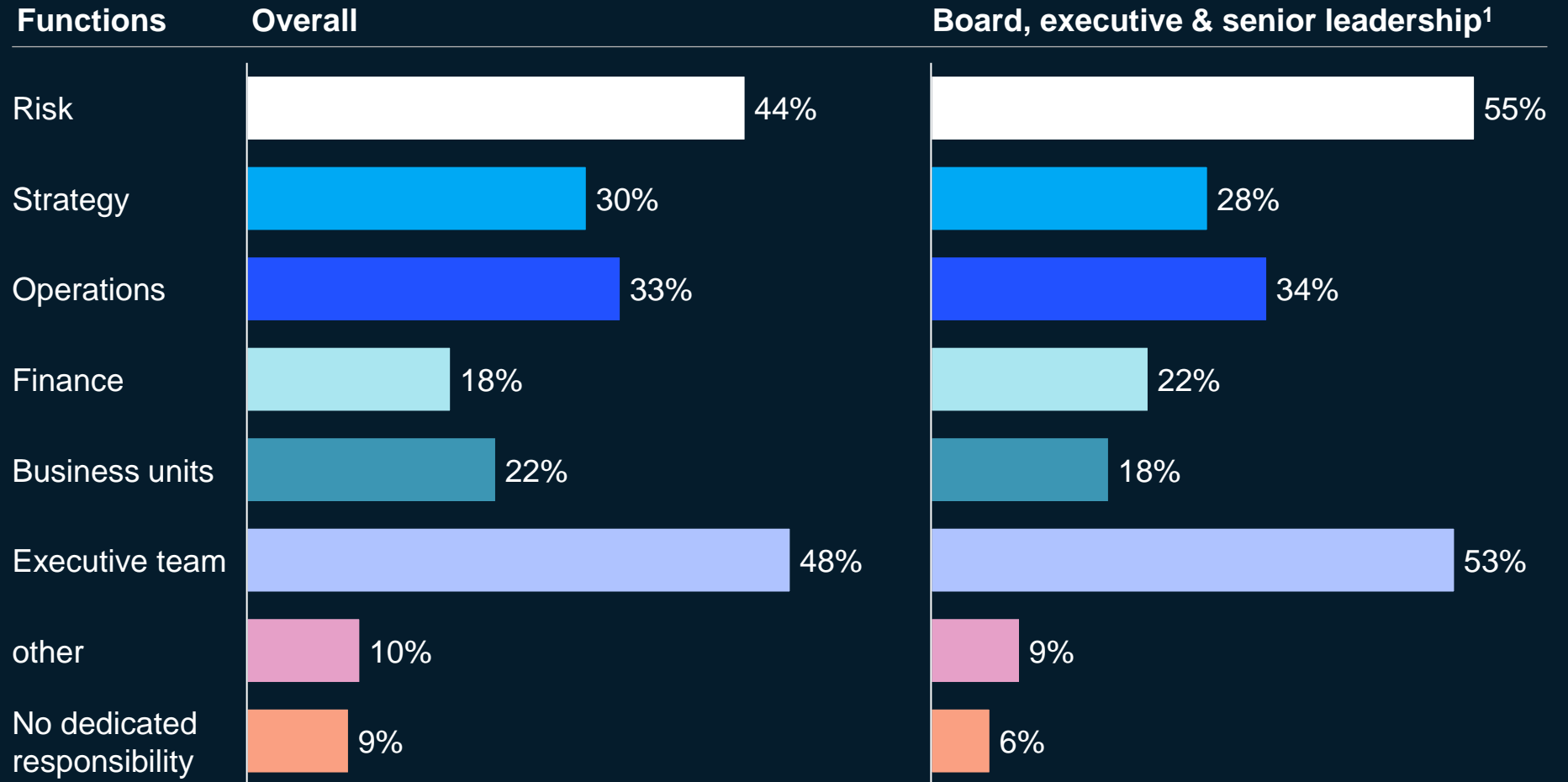
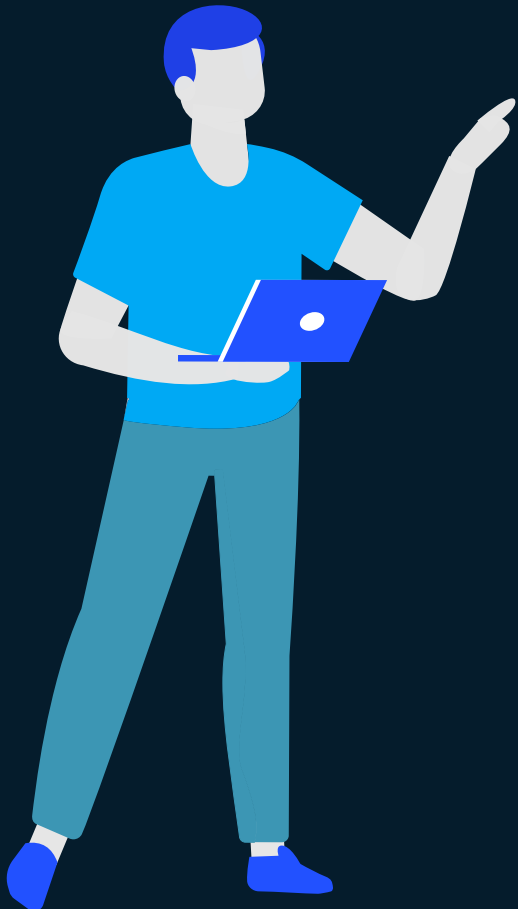
Can I anticipate what is going to happen next?

3 Adaptation

Am I able to adapt fast to a new situation?

What is the role of Risk in fostering Resilience across organizations?

In your organization, who is primarily responsible for resilience, taking a coordinating role across the relevant areas?



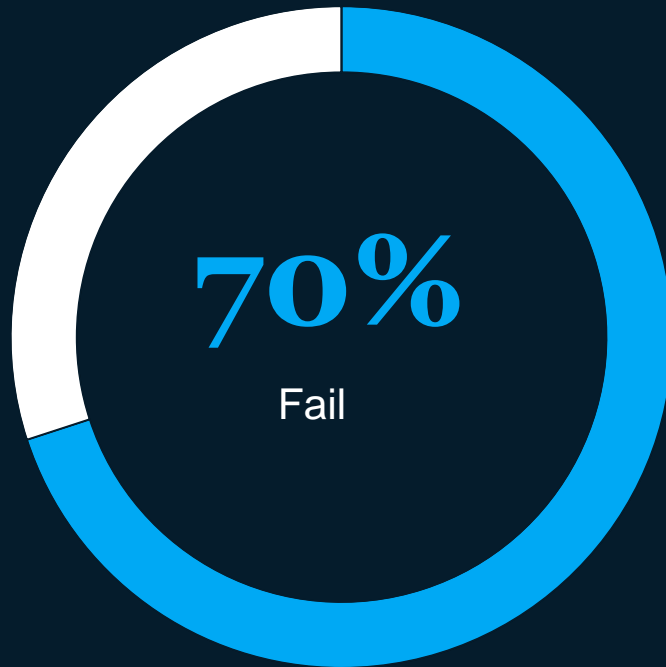
Source: Corporate Resilience Survey 2021

1. Board + Executive (C-level) + C-1 middle-mgmt.

Driving resilience – why transformations can fail?

30%

Deliver on the plan



Main reasons

- Cultural barriers/resistance to change
- Lack of accountability and/or Owner mentality
- Low aspiration — a challenge that is not very ambitious
- Failures in execution — you can put anything down on paper, knowing what to do is rarely the problem
- Targets and incentives misaligned from value creation

We mapped 5 practices to help transformations maximize their chances of success, based on over 1,000 cases

30%

of transformation deliver as planned, in line with aspirations



- 1 Think big.** Asses the full potential (transformations deliver 2.7 x the value originally estimated by management)
- 2 Act on several levers.** Over 50% of the value originated comes from top line initiatives
- 3 Move quickly and renew the pipeline.** 74% of the value is implemented during the 1st year. 10 to 30% of initiatives are renewed during the program
- 4 Mobilize and empower the entire organization.** 56% of the value comes from granular actions, involving 300+ people
- 5 Address health and culture.** Healthy organizations deliver ~3x the average TRS

Thank you