# From risk to corporate resilience

**BELRIM** presentation

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### 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 interne

COVID-19 accelerated digital adoption by ~7 years

Rapid development and adoption of A1 and cloud/edge/trust architecture



### Resource and energy systems

Historical underinvestment 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



each of the industries
2. Increase in in since 2021

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

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



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

-15-25% reduction in pre-tax profits<sup>3</sup>



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 prices<sup>2</sup>



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

~\$260 Mn global spend by Big-Tech

global spend by Big-Tech companies in fines & legal assistance



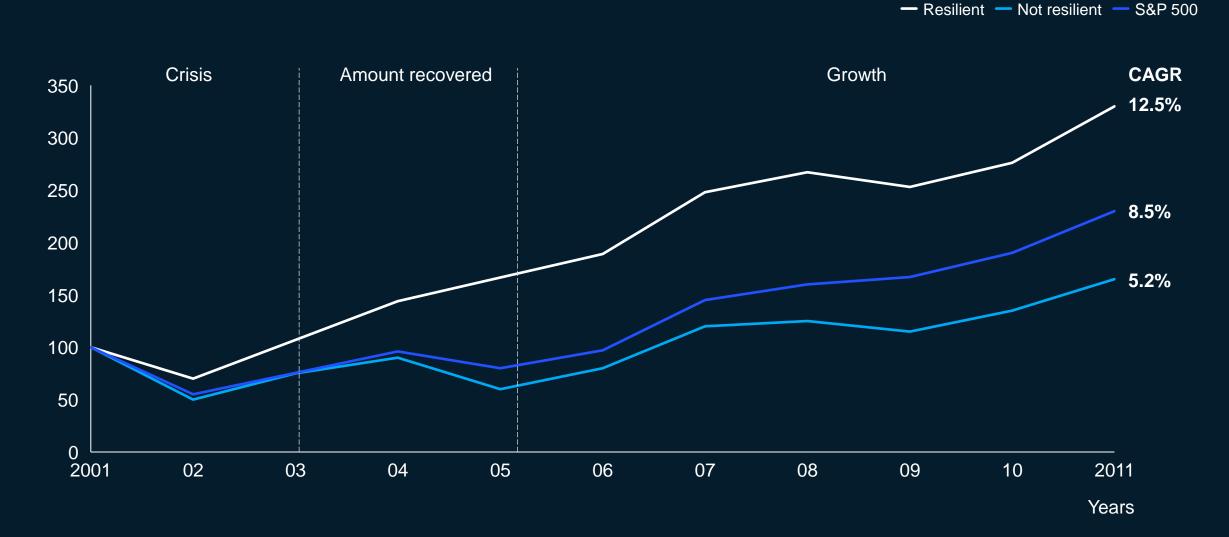
**Consumer** products sector suffering driven by supply chain struggles, rising cost of inputs, inflation pressure and shortage of labor

-10% decrease in consumer confidence in Eurozone

Estimates for major car manufacturers in 2021

### 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?



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

### **Key resilience themes across corporates**

**1** Geopolitical Resilience

Climate, Food and Energy

3 Trade & Supply Chain Resilience

Building geopolitical resilience amid a fragmenting global order

Accelerate transition to netzero ensuring availability of energy, food and water 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

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?

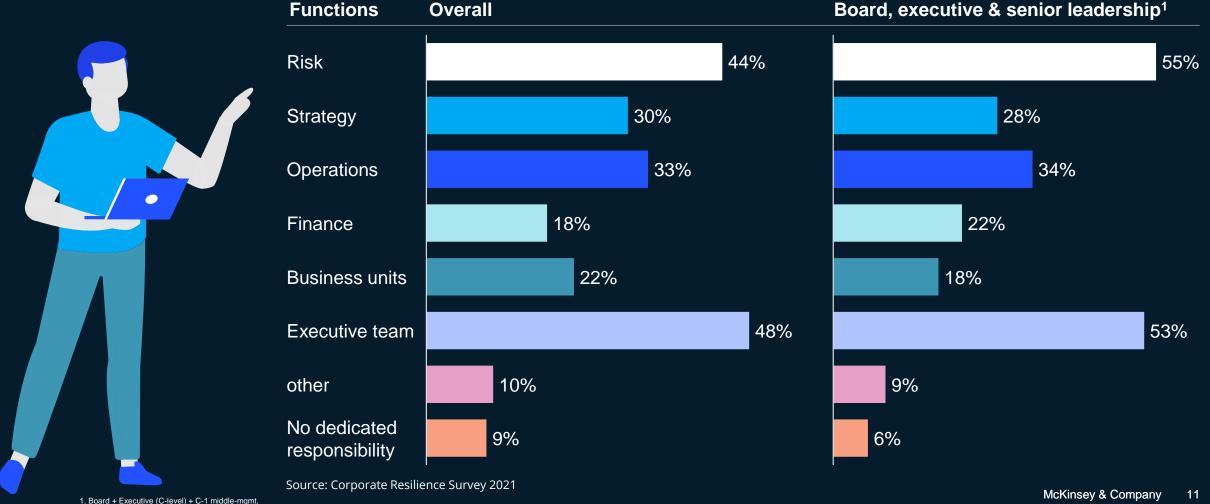
3 Adaptation

Am I able to adapt fast to a new situation?

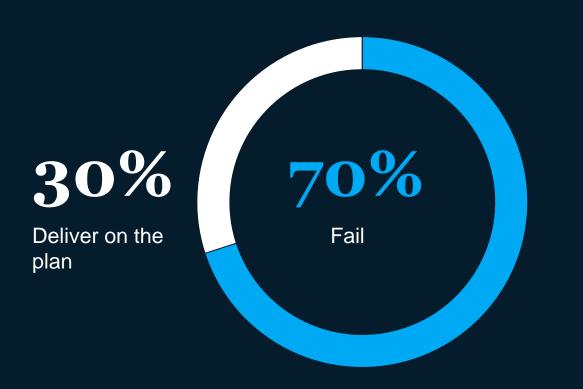
Source: McKinsey Risk & Resilience McKinsey & Company

### 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?



### **Driving resilience – why transformations can fail?**



### 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

- Think big. Asses the full potential (transformations deliver 2.7 x the value originally estimated by management)
- Act on several levers. Over 50% of the value originated comes from top line initiatives
- 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
- Mobilize and empower the entire organization. 56% of the value comes from granular actions, involving 300+ people
- Address health and culture. Healthy organizations deliver ~3x the average TRS

### Thank you