

Are you prepared for change or reacting to it?

(PART 1)



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Future-proofing the business requires a coordinated, collaborative effort. Our hypothetical case study highlights the very real issues involved.

In brief

- ▶ After a year of disruption, organizations need to transform to build resilience for themselves, their teams and across the enterprise.
- ▶ Decisions relating to capital tied to people and supply chains have far-reaching implications to an organization's agility and ability to pivot at speed.
- ▶ Transforming for resilience is a team sport that requires recognizing, understanding and driving change that works for the whole organization.

It's an increasingly complex world. Even before the COVID-19 pandemic, organizations faced challenges ranging from convergence to disruption and an ever-accelerating pace of change, all requiring equally complex and multi-faceted responses. It should come as no surprise that transformation - meeting changing market demands by truly shifting how you operate - seems equally challenging.

What we know through our client work is this: creating sustainable value requires a coordinated response. Digitization alone, for example, won't realize an organization's strategic objectives. Digitization can enable innovation at scale. Yet neither digitization nor innovation at scale can happen without the right people in the right jobs at the right time. And none of this matters without understanding and anticipating what customers want, which leads back to ... digitization.

That's why the transformation so many organizations seek for long-term value creation can only be achieved when the right members of the C-suite and their teams work together in the right ways. Of course, no two organizations are the same. But the challenges they face and the team dynamics underpinning their actions share common characteristics, and we've found the best way to bring these issues to life is by providing a composite, illustrative view of genuine

issues raised by our clients. This hypothetical case study series seeks to do just that. The characters may be hypothetical, but the issues they confront are real, as are the responses from our panel of EY leaders.

A kitchen appliance manufacturer tries to move from reacting to change to preparing for it

Our first hypothetical case study dives into the challenges at a kitchen-appliance manufacturer. After a year of pandemic-induced disruption, FooderFodder Appliance Manufacturing's chief risk officer (CRO) has been tasked with leading a resilience transformation taskforce to get the organization out of crisis mode and better future-proof the business. Our research shows effectively addressing this challenge often requires a joint perspective across risk, operations and talent, among other functions in the business. But the dynamic among the CRO, chief supply chain officer (CSCO) and chief human resources officer (CHRO) highlights the organization's challenges in achieving it.

The EY leader panel, comprising Stephen Koss, EY Asia-Pacific Workforce Advisory Leader, Regenia Sanders, EY US-Central Consulting Supply Chain and Operations Leader, and Kristina Albang, EY Global Enterprise Resilience Leader, then respond to the challenges FooderFodder faces and provide recommendations for building resilience into the organization.

"Any risk or resilience plan needs to be sensitive enough to evaluate all of the critical dependencies and account for the compounding of multiple risks at times of crisis."

Kristina Albang,
EY Global Enterprise Resilience Leader

1. The CRO finds himself in the hot seat

The CRO learns the hard way that just because a risk is unlikely doesn't mean it won't happen.

Joel Taskman took a long look in the mirror before his 8am video call. He felt as if he had aged 10 years in 12 months. As CRO at FooderFodder Appliance Manufacturing, he had lost more sleep than hair as his company faced a crisis, first in lack of supply, then in increasing demand.

As a global manufacturer primarily of commercial-grade kitchen appliances, with a niche luxury consumer kitchen appliance line, Joel's hands were full before the pandemic assessing a range of organizational, operational, reputational, financial, geopolitical, regulatory, climate change, digital, cyber and talent risks.

Joel and his team had conducted scenario planning, developing risk assessments to rank the top 10 threats based on likelihood and impact, putting together a plan geared to mitigate those risks. He thought FooderFodder's risk strategy was sound. Unfortunately, a global pandemic didn't make the top 10 list and he learned the hard way: the past is often a poor predictor of future risks, data-driven risk intelligence is more important than he gave it credit for, and just because a risk is unlikely doesn't mean it won't happen - or have a devastating impact.

Joel sat at his home office sit-stand desk, which mostly stayed in the sit position now, put in his ear buds and waved hello to his colleagues who had already joined the call. He thought Sabrina de Haan, FooderFodder's CSCO, looked tired and a little pale, but he kept that to himself.

"Digitally networked supply chains are data-driven and can react to events, enabling near real time changes."

Regenia Sanders,
Consulting US-Central Supply Chain and Operations Leader, Ernst & Young LLP

2. The CSCO struggles to contain the crisis within a crisis

The linear, just-in-time supply-chain model may be great in good times, but in bad times it's highly vulnerable to disruption.

Sabrina sipped her fourth cup of coffee, thinking it may be a good idea to dial back the caffeine when the pandemic crisis was finally over. But not today. She'd been awakened just after 3am by the production manager at FooderFodder's European factory with yet another cry for help.

Demand for its line of high-end bread makers was suddenly through the roof again and one of its main Asia-Pacific suppliers had only shipped a fraction of the parts needed to keep the next shift going. It was the third time in a week among countless times over the past several months that the supplier had come up short. The production manager had already changed the shop floor production schedule four times in a day and was at his wits' end. ■

(CONTINUED IN NEXT EDITION)

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