
How to reset costs and reshape your business for growth

A Fit for Growth guide
to respond to and
emerge stronger from
the **COVID-19** crisis

Introduction

CEOs were already juggling cost challenges before the COVID-19 outbreak. Then the world's 20 largest economies went on lockdown within an eight-week window. Optimism for a quick recovery has evaporated and one big question looms: **How to prepare for a future that will be forever changed, but is still not fully known?**

Most companies will work to protect the bottom line, while also building more resilience and agility into the organization.

But **while cost-cutting is necessary, it will not be enough. Even worse, done the wrong way, it can harm a company's chances of survival.**

Leaders also have to pivot value propositions, figure out ways to grow and identify new sources of revenue to find their place in the future. This involves cutting costs in a way that doesn't harm the business, while **redirecting costs to the drivers of growth: the capabilities that differentiate a company.**

The global pandemic has **upset past beliefs and models about costs.** On one hand, **costs that were once fixed** in the minds of business leaders **have become more variable** (think office space), while capabilities that might have been **differentiators in the past are now just table stakes** (automation and collaboration technologies). So much has changed that strategies may need to shift in new ways to redesign the business and cost structure for more enduring strength and agility.

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Our global *Fit for Growth** leadership team is ready to help



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Fit for Growth for the new normal

Fit for Growth provides a powerful and complete approach to be ready for the new normal and emerge stronger



Develop a clear-eyed strategy



Revisit your strategy and be clear on your must-haves to win in the future – regardless of any economic scenario



Double down on your differentiating capabilities



Sustain your focus on your strategy growth pillars/ must-haves that will be relevant in any economic environment



Radically transform your cost structure



Revisit your entire cost structure to establish short-, mid-, and long-term actions to fundamentally adjust for the future



Reimagine your operating model



Reimagine how you organize and collaborate – using technology accelerators and strengthening resilience



Accelerate your cultural evolution

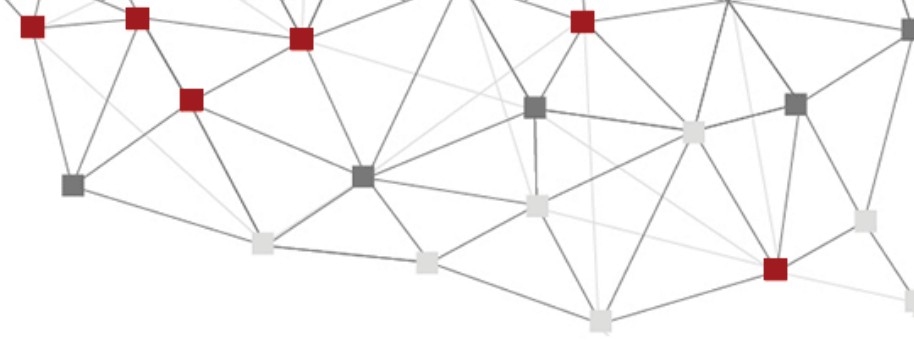


Actively engage the organization to define the required behaviors to build on cultural strengths and own the actions to shape the future



Develop a clear-eyed strategy

New normal considerations will require all businesses to reassess strategic priorities across the value chain



Commercial strategy



Pricing adjustments to account for increased costs and/or changes in volumes

Evolving sales processes and tools for increased remote selling and digital channels

Optimizing discounting, incentives and credit terms to enable restart and glide path to the new normal

Portfolio strategy



Revisiting and refreshing product and solutions portfolio to ensure relevance in post-COVID-19 world

Assessing if any industry and market trends have accelerated (e.g., e-commerce, digital models)

Evaluating life cycle and profitability of business and market positions

Identifying opportunities to pick up growth-enabling assets

Operational strategy



Quantifying changes in real estate and workforce strategy (e.g., increased remote working, facility utilization)

Assessing supply chain strategy (e.g., supplier resiliency, revisit make vs. buy, distribution costs)

Adding resiliency into the business model (e.g., reevaluate footprint and manufacturing strategy)

Workforce strategy



Designing new employee health and wellness policies and guidelines (e.g., tracking of potentially impacted staff, paid sick leave policies, healthy working guidelines)

Implementing changes in shift policies, work hours, working norms and practices and remote work policies

Regulatory strategy



Evaluating government programs to assess pros and cons of participation and impact

Incorporating potential long-term shifts in policy that may impact choices on footprint, workforce, tax and overall strategy

Financial strategy



Resetting financial targets given additional costs of operations (e.g., due to new health and safety norms, operations costs)

Establishing cost and cash management discipline the across company

Optimizing the balance sheet to build sustainability

Double down on your differentiating capabilities

Zero-base your entire cost structure to reset future cost and clarify where to invest and how to pay for it



Not required

Legacy investments and activities that no longer support the go-forward strategy

- Executive travel benefits
- Local IT help desk
- Local call center
- Manual order management

"Lights-on"

Bare minimum activities needed to "keep the lights on" in the business

- Real estate
- HR and finance back-office
- Indirect procurement
- Customer call center

Table stakes/entry ticket

Basic competencies/activities required by everyone to participate in the industry

- Quality management
- Customer insights
- Collaboration technology
- Web-based self-service
- General accounting

Differentiating activities

Activities that provide you with a competitive advantage and/or are needed for future differentiation

- Online commerce
- 360° customer experience management
- Digital operations
- Performance management

Eliminate

Resist the temptation to continue because of a commitment to legacy

Aim for cost levels below competition

Be better than benchmark

Cut costs to keep a "good enough" quality

Warning: What you thought was differentiating may now be table stakes

Invest at levels above peers to gain a competitive advantage

Warning: Benchmarks will shift in this period – aim to be the benchmark, not a follower

Current-state cost structure

Possible new cost structure

30–40%

30%

50–60%

15–20%

30–40%

5–15%

15–25%

Radically transform your cost structure

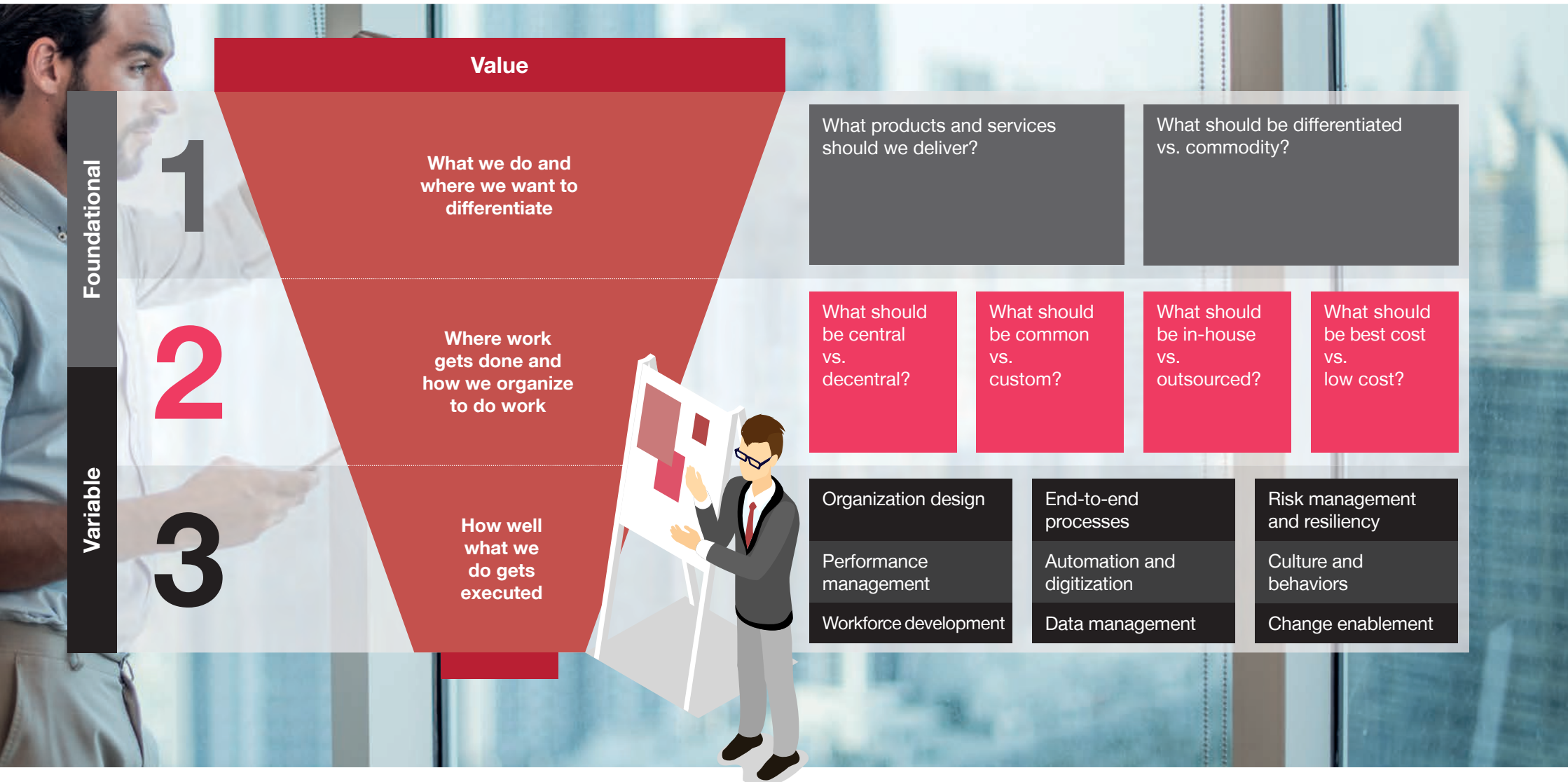
Carefully structure cost actions over the short-, mid and long-term to prevent excessive and/or insufficient reactions



		Time		
		Respond to the crisis Quick wins and cash management focus	Optimize post-crisis Optimize for operational excellence	Transform for the future Transform to a more resilient operating model
Top levers	Balance sheet	<ul style="list-style-type: none"> Supply chain stabilization Working capital optimization 	<ul style="list-style-type: none"> Optimization of supply chain processes Supply chain resilience 	<ul style="list-style-type: none"> Consolidation and centralization of supply chain functions Logistics and supply chain automation
	Bottom line	<ul style="list-style-type: none"> Immediate operational cost measures ("quick wins") Elimination of non-core activities 	<ul style="list-style-type: none"> Restructuring across the value chain Operational efficiency focus 	<ul style="list-style-type: none"> Operating model redesign Digitization, automation, offshoring and outsourcing across the value chain
	Top line	<ul style="list-style-type: none"> Top-line stabilization Customer engagement 	<ul style="list-style-type: none"> Service offering rationalization Pricing optimization and resetting Sales and marketing footprint reset 	<ul style="list-style-type: none"> M&A to reshape portfolio and gain assets at a lower cost post-crisis Rationalization of products and markets
	Overarching	<ul style="list-style-type: none"> Aggressive focus on cash Immediate flextime measures for the workforce and government programs 	<ul style="list-style-type: none"> Organizational restructuring Outsourcing and offshoring 	<ul style="list-style-type: none"> Operating model revamp Optimization of technology landscape
Est. cost impact (cumulative)		15–25%	20–35%	30–45%

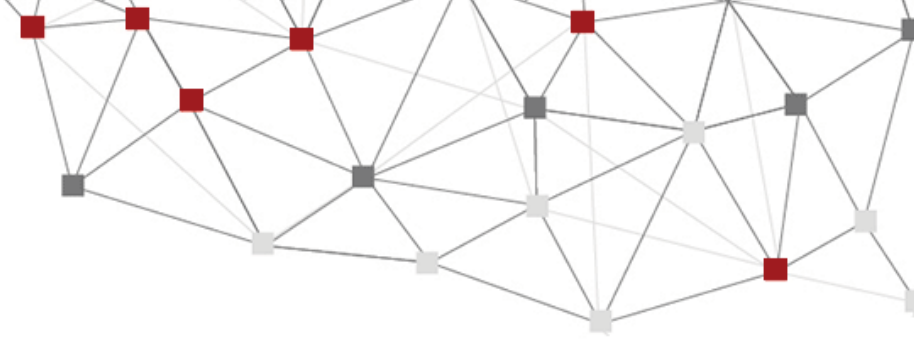
Reimagine your operating model

The crisis provides the opportunity to consider improvement levers to reset and accelerate your operating model



Accelerate your cultural evolution

Actively engage the organization and own the actions to shape the future



Finally, successful execution hinges on engaging the organization to understand the new normal and sign-on



Show empathy

- **Acknowledge how people feel** – understand the human impact on them
- **Visibly demonstrate care for people** in the decisions you make and how you implement actions for change
- Share the “**why**” behind your business decisions



Be courageous

- **Stand in your purpose** and values to help defeat fear and uncertainty
- Take **bold decisions**
- Use the opportunity to **accelerate necessary actions**, even if unpopular



Engage the team

- **Be transparent** in sharing the situation, challenges and opportunities
- **Invite people to** shape the ideas and **contribute solutions**
- **Involve leadership** at all levels to engage and communicate



Assume responsibility

- Take **personal ownership** of the required transformation
- Acknowledge reality and focus on the next **best decision**
- **Align leadership incentives** to push for performance



Act with urgency

- Drive toward actionable insights and analyses and **be decisive**
- **Use the future to shape the present** – act deliberately
- **Be willing to adapt** strategies and align resources quickly



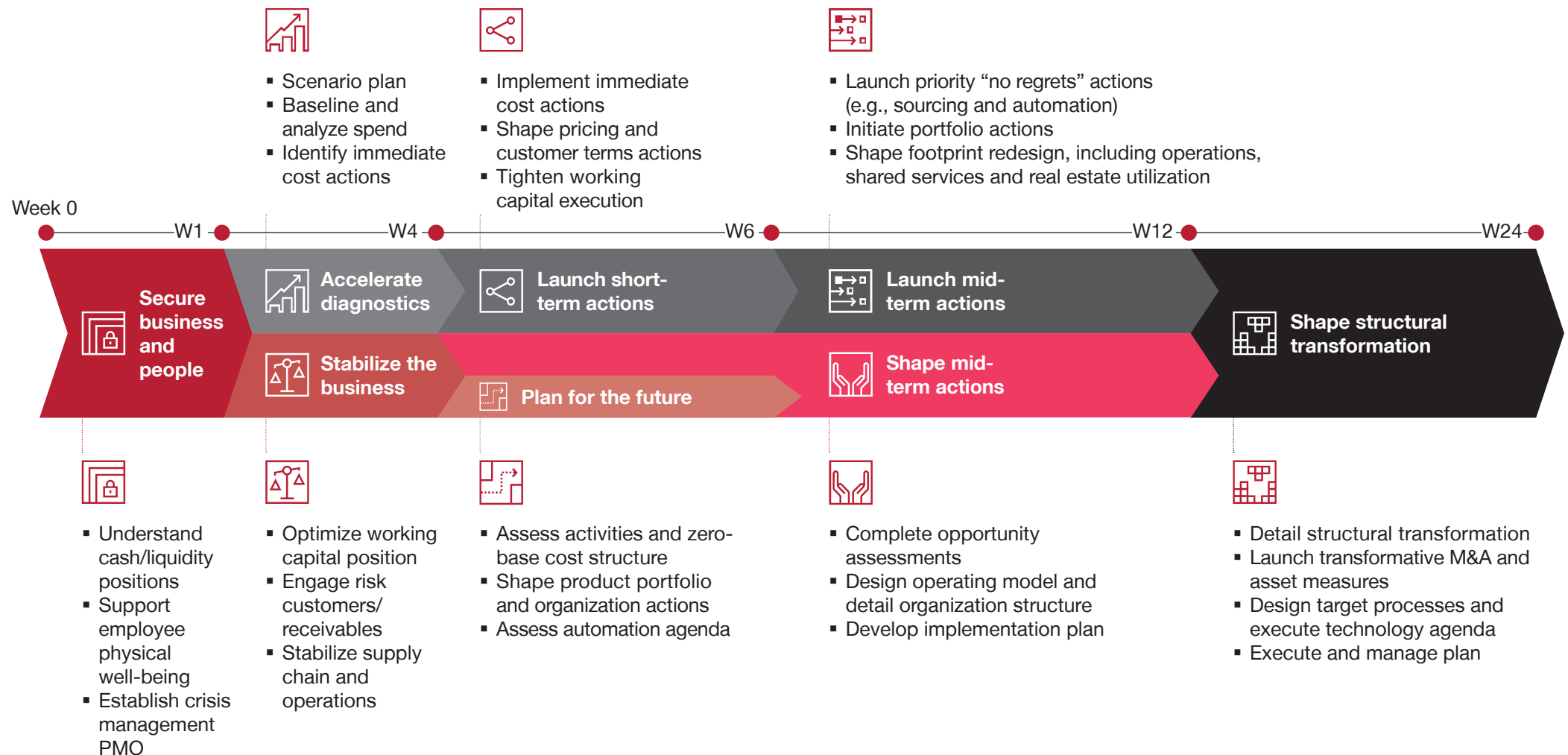
Be transparent

- Keep employees connected and **engaged**
- Continuously **frame the case for change** and communicate authentically with straight-talk
- **Reassure** stakeholders with actions, but also showcase realistic outlook

Source: Strategy&'s “Leadership in a Disruptive Age”

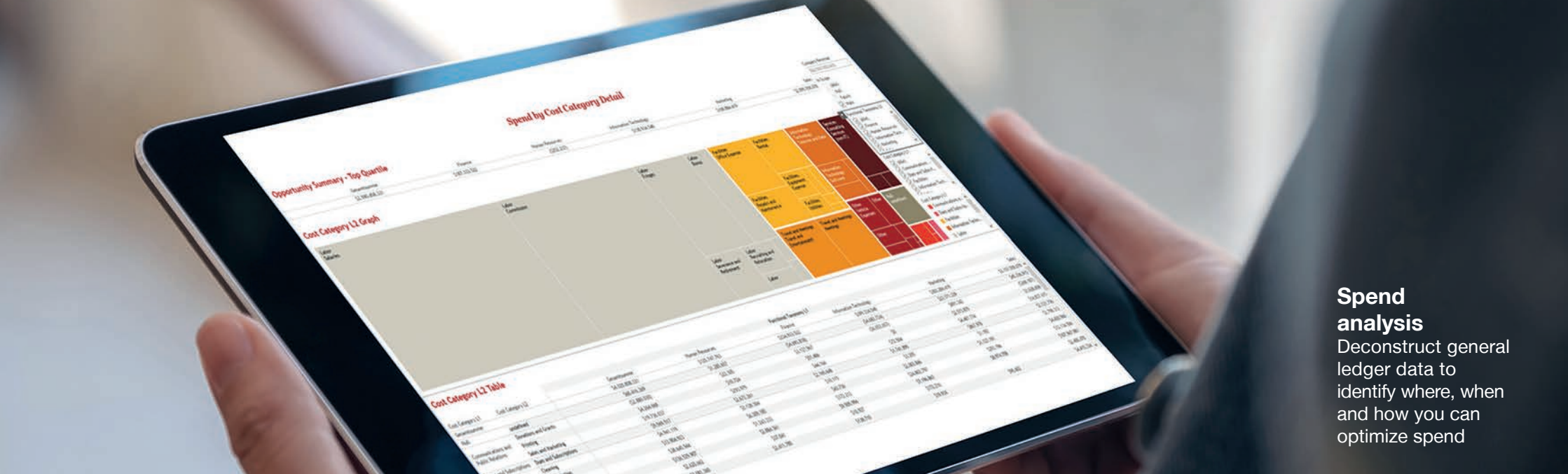
An accelerated approach

The *Fit for Growth* approach helps generate first results quickly – while shaping the path to emerge stronger



The power of digital assets

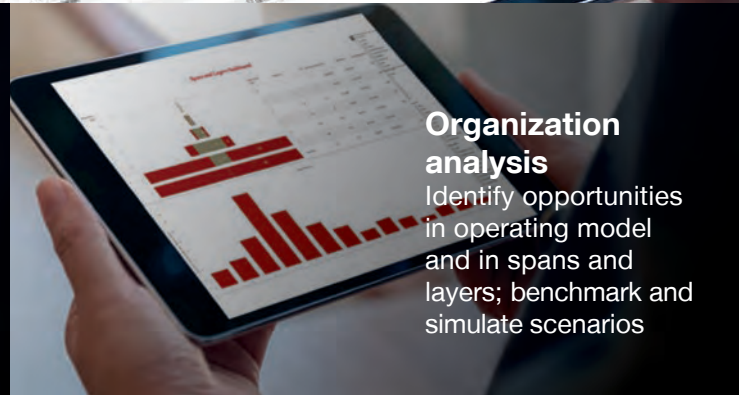
The *Fit for Growth* approach leverages a suite of digital assets, deployed virtually, to enable rapid analysis and actionable insights



Deconstruct general ledger data to identify where, when and how you can optimize spend



Assess and identify differentiating capabilities required to implement your strategy



Identify opportunities in operating model and in spans and layers; benchmark and simulate scenarios



Highlight white spaces
for process
standardization
and automation
in technology



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