



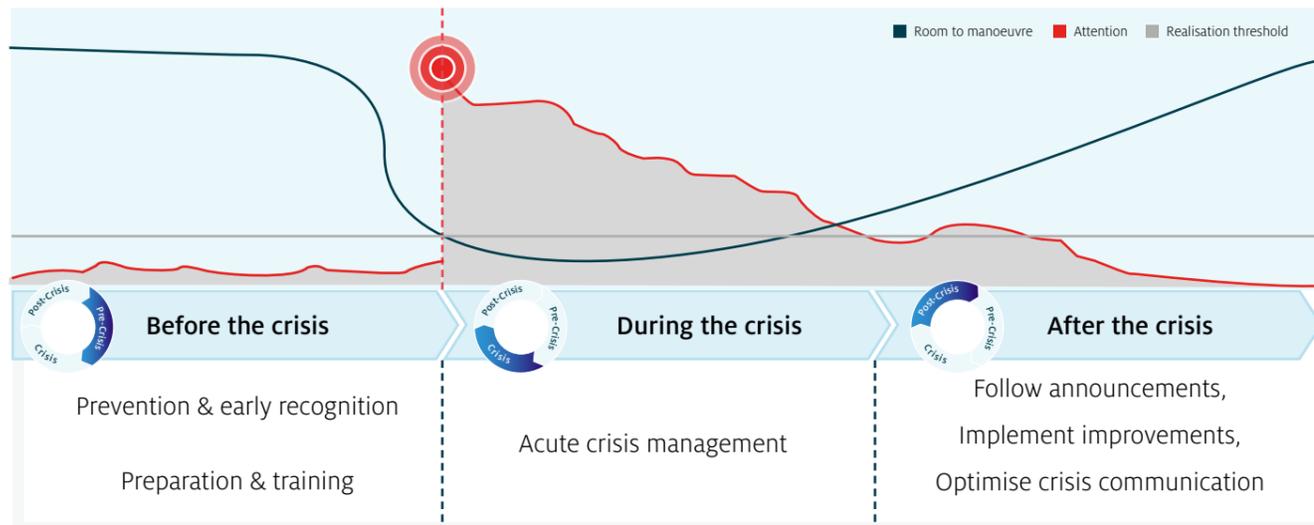
**Expense Reduction
Analysts**

Accelerate your recovery

Drive your business towards economic security

Since the middle of March 2020, the world economy has been charting a very uncertain course and finally, the storm has started to ease. At the peak of the crisis, businesses were driven into emergency mode - with little room to manoeuvre. Now that room to manoeuvre is growing again, businesses must grasp this opportunity to accelerate their recovery whilst also implementing measures to protect themselves from any future pandemics.

Stages of a Crisis



Source: Schwarz A., Löffelholz M. (2014) Crisis communication: preparation, implementation, success factors. In: Zerfaß A., Pwinger M. (eds) Handbook Corporate Communication. Springer Reference Knowledge. Gabler Verlag, Wiesbaden,

The key task for a business is to increase their resilience in the recovery phase. To understand how the recovery phase will look specifically in each sector, we can use other countries to give an indication. China, for example, is 2 months ahead of most other countries around the world. There, it can be seen that one month after the end of the lockdown, 90% of automotive

businesses were active again – however, only 70% of textile businesses were and only 40% for catering businesses. The reasons for the decline in sales vary between sectors as trade is strongly affected by a collapse in demand. In construction and chemical industries for example, they are especially affected by supply bottlenecks and shortages.¹

¹ McKinsey & Company, The Restart, April 2020

1. Leverage the Potential in your Supply Chain

When the Corona crisis first hit, the main focus for businesses was to maintain their supply chains in the short-term. Now, as businesses attempt to compensate for the negative effects caused by the crisis, focus is increasingly shifting to cost and efficiency issues.

In contrast to direct material costs, the following costs can be influenced much more easily; procurement logistics, internal logistics, warehouse management and distribution logistics. These areas are often not recognisable at first glance but can help your business to accelerate its recovery by offering considerable potential for savings and increases in efficiency.

To quickly identify and exploit the hidden potential, a systematic 6 step road map should be used:

Roadmap in 6 Steps

- Step 1: Cost transparency and analysis in the supply chain
- Step 2: Assess the most important supply chain processes in respect to improvement potential
- Step 3: Identification of worthwhile opportunities
- Step 4: Assessment of identified opportunities in respect to improvement potential/cost of implementation, risk and investment
- Step 5: Formation of a roadmap
- Step 6: Actions to implement the roadmap

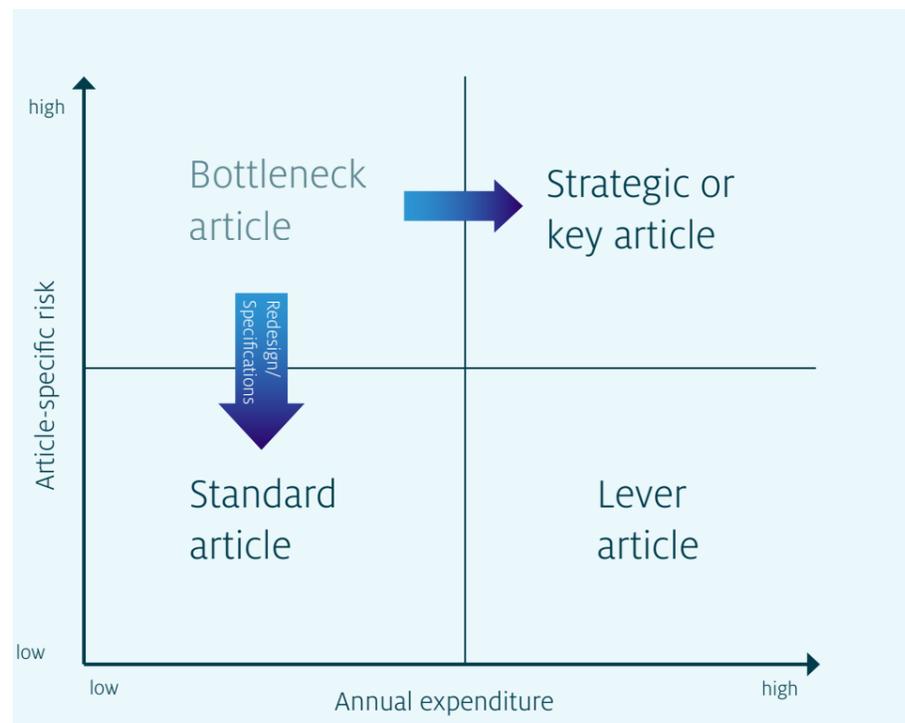


2. Secure Production

To minimise risks and avoid any delays in the recovery phase, businesses should analyse their supply chain and then take appropriate actions accordingly. Missing parts of production are the main reason for reductions in sales, especially for businesses in the manufacturing sector². Businesses therefore have to analyse their own product portfolio in order to identify threats.

Businesses should carry out the following steps:

- Identification of the most important products
- Comparison of the procurement portfolio using a parts lists and article-specific risk assessment
- Identification of new or supplementary actions for risk identification and minimisation in procurement:
 - o Re-evaluate TCO (Total Cost of Ownership)
 - o Analysis of the political stability of the sourcing markets
 - o “Make or Buy”, “Low Cost”, “Best Cost” or dual solution
 - o Embed development of possibilities for technical alternatives in the design



² McKinsey & Company, The Restart, April 2020

3. Rethink Operating Processes

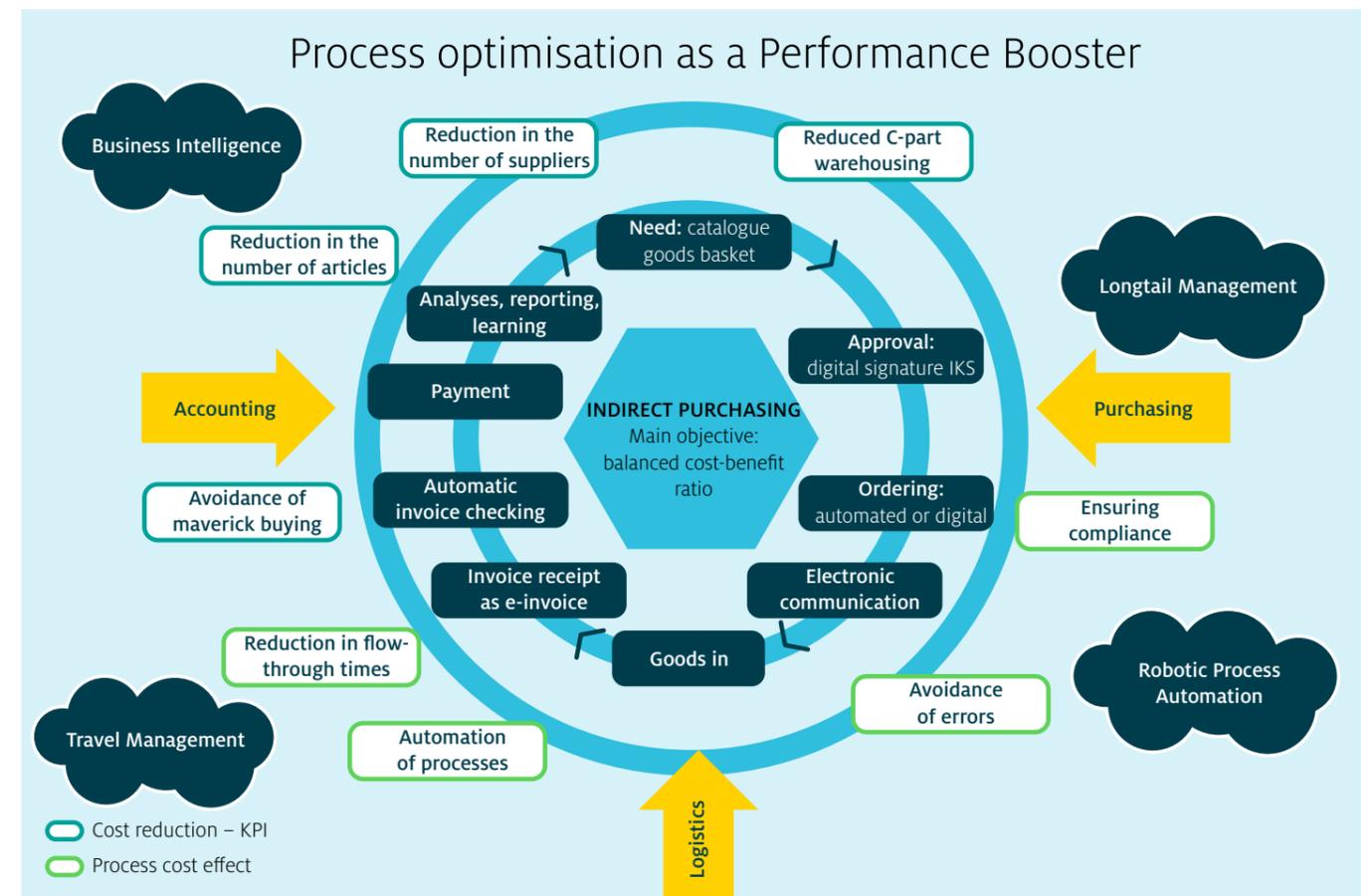
The Corona crisis was a driver of digitalisation. At the start of the crisis, many businesses implemented operational short-term solutions under high pressure. The main aim here was to secure their operational processes, however, many of these solutions are not sustainable in the long-term. To accelerate recovery, businesses have to consolidate and professionalise these new processes, from modernising IT structures to training employees to optimising processes.

Similarly to supply chains, the crisis highlighted that in many companies their administrative processes are not crisis-proof. These must now be adapted to the “new normal”.

Medium-sized businesses in particular were already behind with digitalisation before the crisis³ and now this gap is threatening to grow. Businesses should do the following to quickly secure their ability to act and drive towards economic security:

- Process audit
- Weak point analysis
- Prioritisation of areas to action

Important aims are the growth of efficiency and speed, reduction in the frequency of errors, and process security independent of location. The example of digitalised procurement below shows the possibilities.



³ Federal Association of Materials Management, Purchasing & Logistics, EBS University of Business and Law, Expense Reduction Analysts, Risk Factors Digitization & Temporary Work, 2019

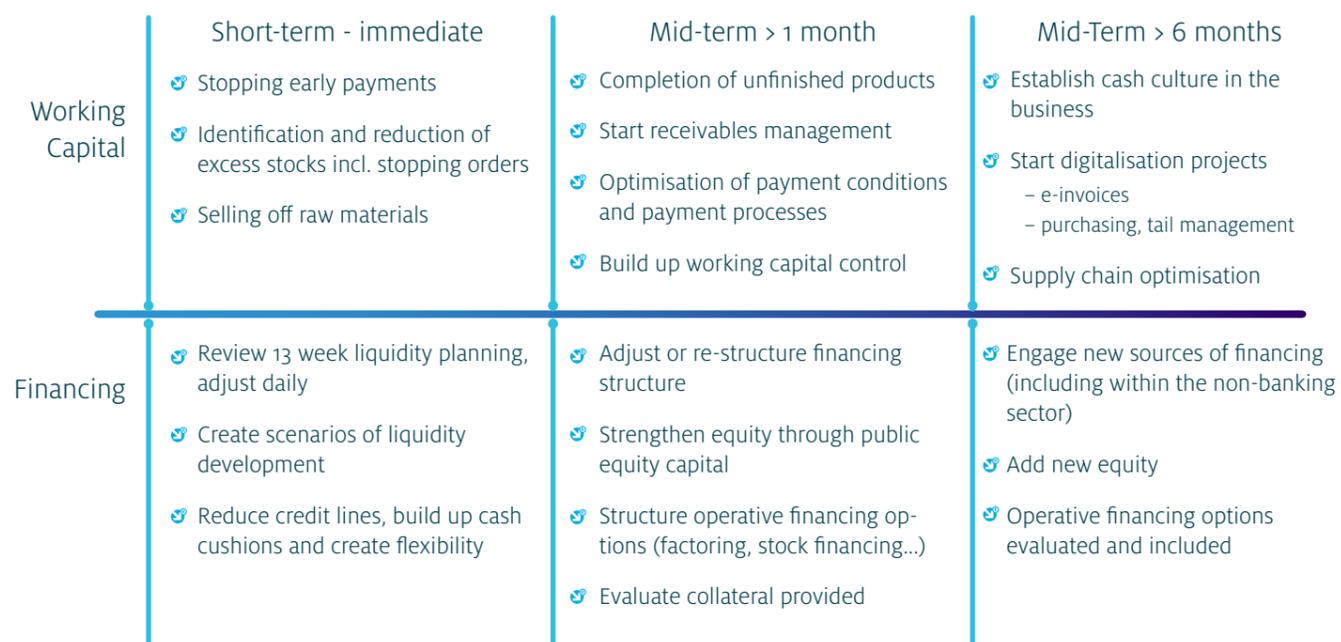
4. Secure Liquidity

Cash is King. Especially in times of crisis and against the background of a 20% drop in sales across businesses. To recover quickly and secure liquidity, businesses have several options:

1. All stocks of raw, auxiliary and operating materials, finished and unfinished products as well as central and intermediate storage must be checked for liquidity reserves. Old stocks are also to be sold with generous conditions, new orders are to be approved by the management.
2. All claims and liabilities should be examined for optimisation options.
3. Cash-binding processes in the working capital cycle must be analysed and time cushions eliminated.
4. The cash effects resulting from options 1 to 3 must be taken into account in the liquidity planning. This should be updated daily, and tracked and explained in the event of deviations.

To achieve maximum success, management must be in full control. All areas that have an impact on cash flow must be integrated so that in addition to immediate measures, medium and long-term actions can also be carried out in a targeted manner.

Impacts on financial planning and the financing structure (caused by the revolving liquidity planning in the short-term) must be taken into account in the medium and long-term. Banks have to be provided with transparent and timely information, credit lines have to be renegotiated and new or alternative forms of financing should be considered.



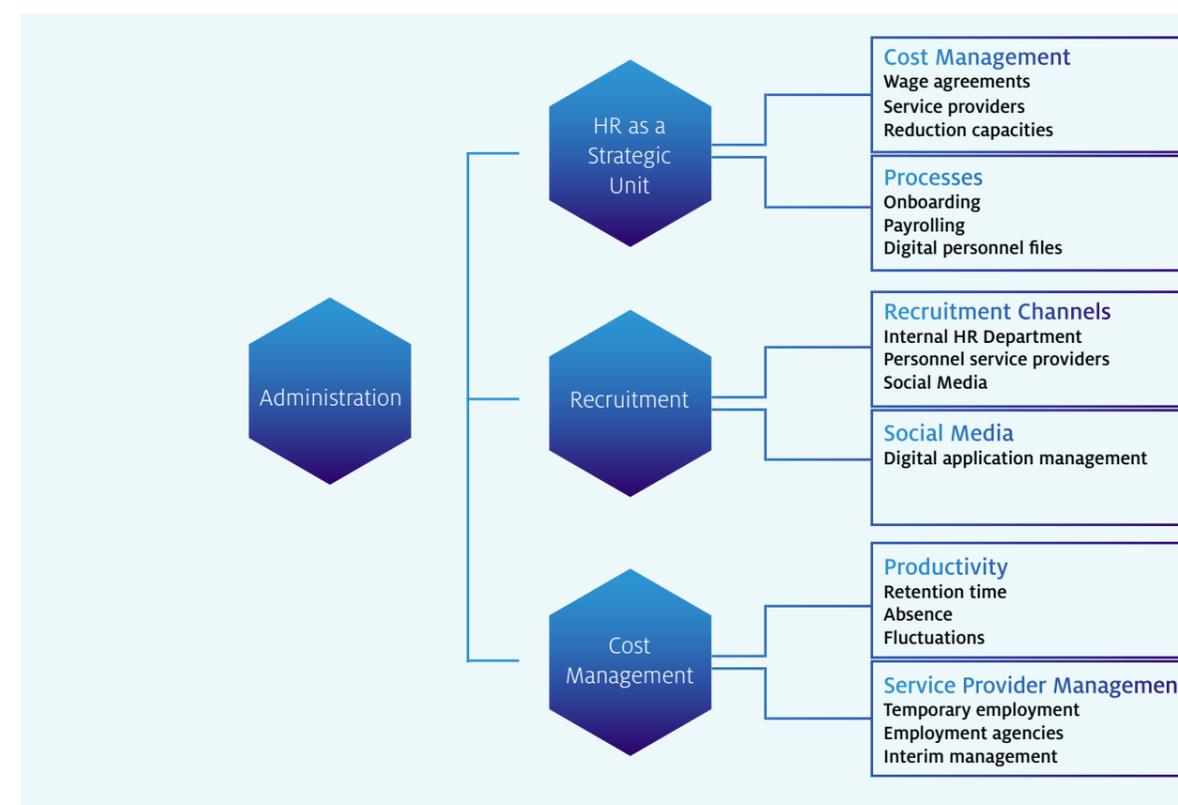
5. Workforce Management for Rebuilding

Businesses are currently facing two major challenges. First is the management of negative economic effects caused by the Corona crisis; and second is sourcing the workforce needed to rebuild a business. To restore competitiveness, companies need to realign their most important resource, their team. Re-evaluating particular areas within Human Resource processes will help to achieve this as well as accelerate your recovery strategy.

The following questions are important and relevant to businesses:

- Are the right employees on board?
- Are flexible personnel capacities required?
- Is the management team ready for new tasks?
- Have all organisational issues regarding personnel deployment been prepared for?

To address the above, the HR department must be set up as a strategic unit, encompassing Administration, Recruiting and Cost Management. Operating this way should help you to successfully manage your recovery strategy whilst simultaneously preparing your business for any future economic uncertainty.



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