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Operations. Insights
Edition 12 | 2022

# Pacemakers

## How supply chains can drive corporate adaptation

Accenture Strategy & Consulting

# Contents

# Editorial

## Welcome to Edition 12 of Operations.Insights, where operations management meets insight.

"Life is what happens to you while you're busy making other plans." John Lennon popularized the quote in his lullaby to his son "Beautiful Boy (Darling Boy)." But looking back at the past months and years, the same could be said about supply chain management. The seemingly never-ending pandemic with blocked ports, limited availabilities of vessels, trade disputes, geopolitical events and, of course, ever-more demanding customers are creating a perfect storm of disruptions and uncertainty for supply chain managers. We continue to experience shortages, even in private sectors. On the one hand, it shows how dependent we are on interconnected, well-running supply chains. On the other hand, it demonstrates that well-planned and managed supply chains are a key differentiator for companies and are vital to survive the current turmoil.

Fortunately, global supply chains are not helpless in the face of disruptions and uncertainty. New and maturing technologies, as well as modern operating and leadership models, can help to navigate through the storm.

We believe supply chain managers need to meet the challenge head-on and see this situation as the often-cited challenge that may well present an opportunity when handled correctly. For that, supply chain managers must be the driving force of corporate adaptation or, in other words, be(come) the "pacemakers" of their corporation's transformation roadmap.

In this 12th edition of Operations.Insights, we share our thinking and best practices on how supply chain managers can drive corporate adaptation and set the pace of transformation.

We begin by continuing our story from the 11th Operations.Insights edition on the new supply chain due diligence act in Germany (the "Lieferketten-sorgfaltspflichtengesetz"), and how you can use the remaining time to not only be compliant but also drive positive change for your corporation and communities worldwide.

Next, we share our take on best practices for corporate transformations, why they should come from the heart, and what they have in common with raising a child.

Then, we outline how to master the digital readiness of your supply chain by focusing on a solid data foundation.

We also look back to the 90s, when Accenture (back then Andersen Consulting) coined the phrase 4PL. As we see 4PLs enjoying a rising importance in supply chain transformations, we talk about our view on their future role in modern supply chain ecosystems.

If you have always been interested in the concept of "no-risk-more-fun," our article on how to upskill your third-party risk management capabilities may be your highlight of this Operations.Insights edition.

Afterward, we will share a client's story from data to value to become a forward-looking organization by adopting an end-to-end analytics approach across the entire value chain.

Last but not least, we spotlight the automotive industry, which has been affected by megatrends and disruptions like few others, and show how a transformation can be designed by putting the customer at the center.

I wish you an insightful read. As always, we look forward to getting your feedback and discussing the challenges you face within the domains of supply chain, operations and sustainability.

Best regards,

Michael A. Meyer

# Get ready for the Supply Chain Due Diligence Act

How you can use the remaining time to become compliant with the new regulation

## There are numerous ways to comply with the regulations defined in the Supply Chain Due Diligence Act; ideally, it helps to anchor those fundamental requirements along the entire value chain by leveraging state-of-the-art technology.

In our article "Lieferkettensorgfaltspflichtengesetz" in the last issue of Operations.Insights,[1] we discussed the legal requirements formulated in the German Supply Chain Due Diligence Act, which takes full effect in 2023, compared it with laws enacted by our European neighbors and outlined how technical solutions can support the obligations to ensure human rights in the supply chain. Companies must use this year to prepare and ensure policies and solutions are part of their overall procurement strategy. Now, we want to examine how successful companies embarked on the journey to fulfill the Lieferkettensorgfaltspflichtengesetz, and how the technology layer can fulfill the legal requirement and improve the entire supply chain risk management capability.

### Take a four-phased project approach

A lean four-phased project approach enables the procurement department and its interfaces to address the obligations outlined in the Due Diligence Act. It also helps organizations advance the maturity of required capabilities (see Figure 1).

In the As-is Assessment phase, a company must determine its maturity level in terms of capabilities through benchmarking inside (peers) and outside (pioneers) the industry. During this phase, engagement with relevant stakeholders should be completed, and a common understanding of the meaning of the Due Diligence Act should be established.

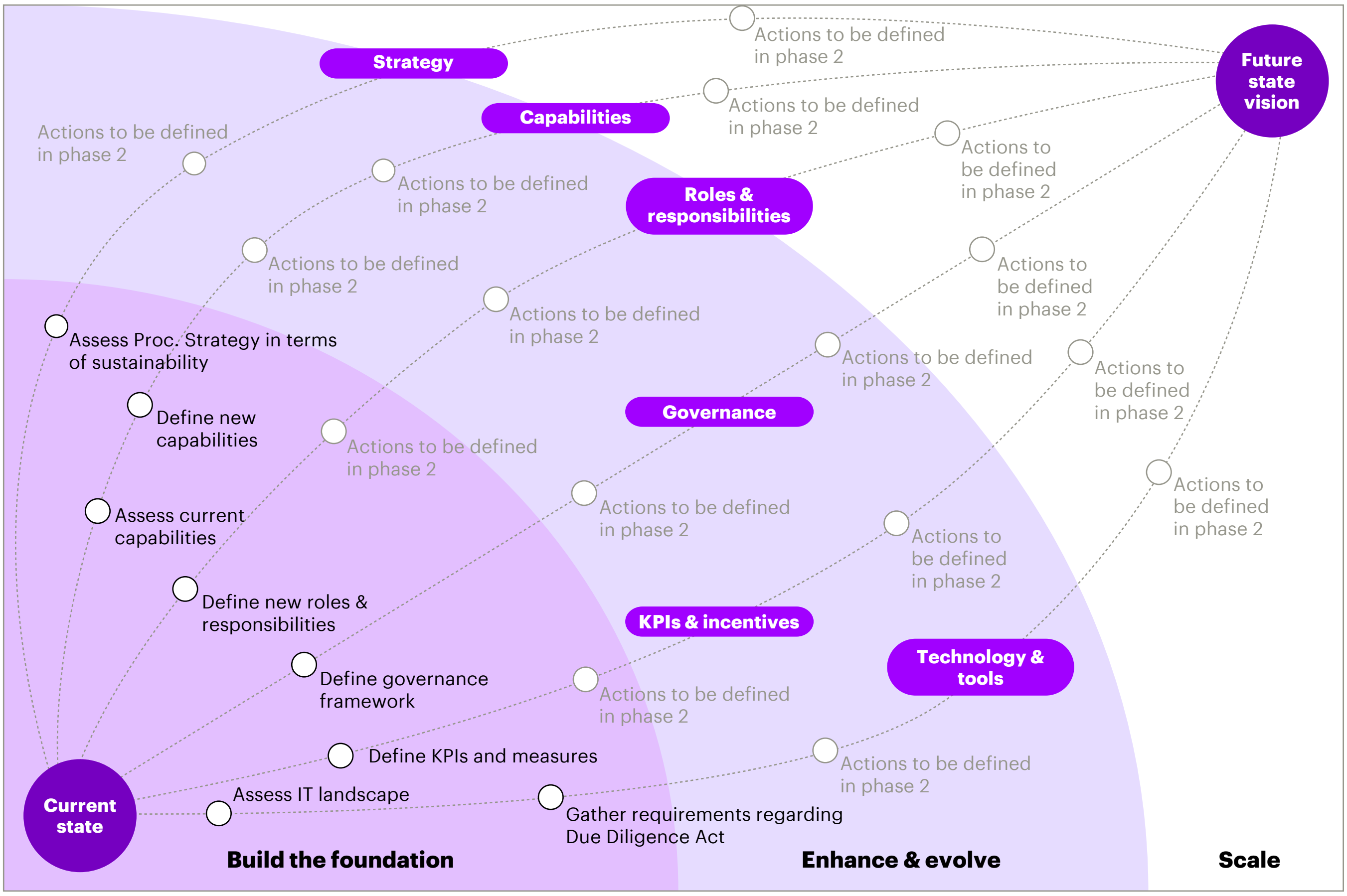
In the Future State Design phase, measures and specific actions (long-term initiatives and potential quick wins) will be defined and a sustainability roadmap will be created. The target picture will be very specific, based on each company's sustainability maturity and capabilities. Figure 2 shows an illustrative roadmap with different evolution stages that are required to achieve a desired target state.

During the Implementation phase, defined measures will be implemented and capabilities, processes, roles, governance structures and technology will be developed or updated, to enable sustainability in all operating model dimensions.

**Figure 1: Typical project approach**

| As-is assessment | Future state design | Implementation | Tracking |
|---|---|---|---|
| • Determine maturity level in terms of capabilities and set-up to cover due diligence act requirements and identify gaps and white spots<br>• Benchmark with peers and pioneers<br>• Create common understanding of the meaning of the Due Diligence Act across affected departments | • Identify and categorize measures to close the gaps, as example<br>– Adequate risk mgmt. procedure<br>– Process to conduct appropriate risk mgmt.<br>– Policy statement on procedures, risks, etc.<br>– Plan for preventive measures for own business & suppliers<br>– Remedial measures & complaints procedure<br>– Documentation and reporting<br>• Shape a roadmap with phased and prioritized execution of measures | • Detail and coordinate roadmap<br>• Implement measures<br>• Develop and update capabilities, processes, roles, governance, and technology<br>• Define KPIs to track success and enhance procurement scorecard | • Sustainably integrate "the new" into existing processes and structures<br>• Define and measure execution on an ongoing basis<br>• Continuously track the duty of care obligations |

**Figure 2: Illustrative roadmap for the sustainable integration**




In the Tracking phase, all changes must be integrated into the existing environment and a process to continuously monitor the new measures must be implemented. On the journey toward the fulfillment of the new law, two important dimensions – governance and technology – must be taken into consideration.

## Establish a promising and sustainable governance model

Accenture's recent study "Moving with responsibility towards success: Practical implementation of human rights due diligence in 10 companies"[2] found that companies should tie in with existing processes and structures during implementation of the requirements. It is key for companies to understand which processes are in place that can be linked to human rights due diligence. Implementation is not linear, and a continuous learning process and a step-by-step implementation are necessary to establish a growing understanding of human rights in the organization. In executing this ongoing task, regular involvement of all relevant departments is necessary (see Figure 3).

The study emphasizes that a central driving unit should be established and appointed to tasks, such as coordination, knowledge management, communication and networking. Since human rights are context-dependent, individual topics should also be implemented decentral in the functions and location. The aim for the central and decentralized units must be to work together as closely as possible.

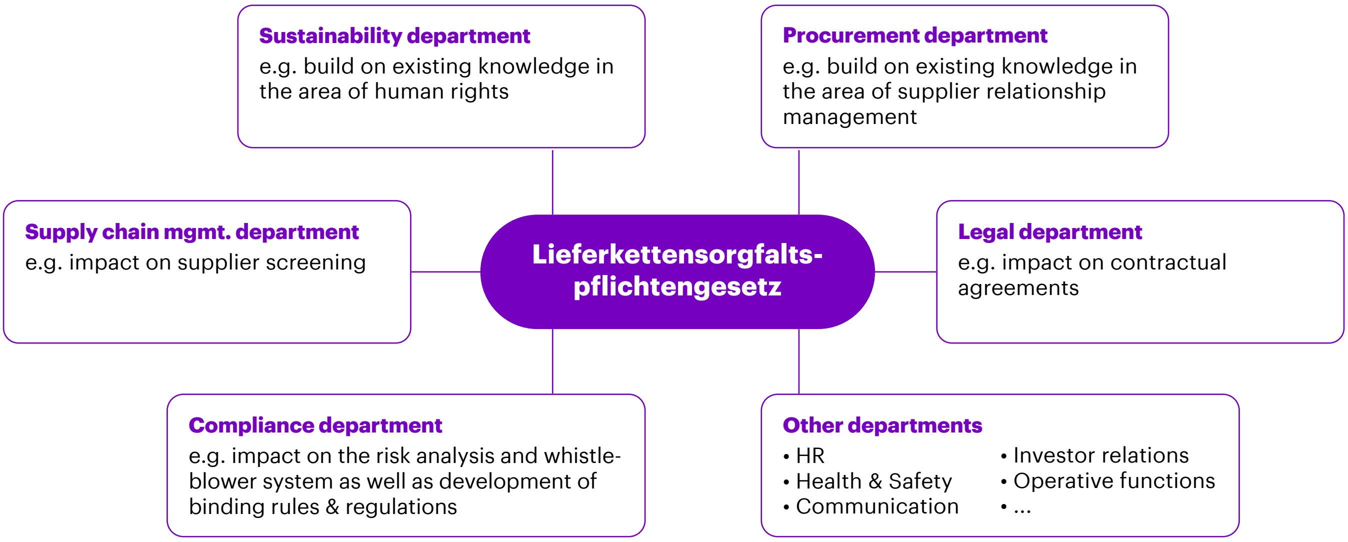
Practical examples from the study[2] show that multifaceted perspectives can fill existing knowledge and skill gaps. Companies should collaborate with external stakeholders and participate in industry initiatives and topic-specific dialogues. An exemplary governance structure is provided in Figure 4.

## Set up a powerful system infrastructure to handle supplier risk management

Holistic risk management[3], especially in the field of reliable supplier risk management, requires broadening the vendor management focus from a small group of critical suppliers to the entire supplier base. One of the most fundamental prerequisites is to create a holistic and transparent single-source-of-truth (SST), which contains relevant data for all suppliers and is accessible for decision-makers across the company.

The SST is commonly built by enriching supplier master data from a company's ERP system (see Figure 5) with a combination of suppliers' financial data, such as growth rate, size and sector, and event data, including court and

**Figure 3: Key departments in the context of the Due Diligence Act**




corporate filings, news and sentiments about suppliers, from an inherent data collection of an eProcurement suite that also uses supplier community intelligence (other suppliers can share supply chain issues with the eProcurement suites' online community).[4]

By combining the SST data with the company's governance, policy, regulatory and compliance specifications, these tools can calibrate supplier-specific risk and health scores, real time alerts, risk weights even at the contract level and supplier risk segmentation (such as high-risk, trusted or unclassified). If necessary, transactions with suppliers can be frozen and communication and dissemination of information as well as risk plans can be triggered automatically (both internally and externally).

Generally, at this point, we observe that the possibilities of the eProcurement suites are slowly reaching their limits. To fully comply with the requirements of the Supply Chain Due Diligence Act, companies must feed their SST with more detailed data in supply chain act relevant risk fields of working conditions and human rights from specialized risk tools, such as those available from providers included in Figure 5.

The functionality of specialized risk tools is comparable with the ones in eProcurement suites but expand the company's SST with more data sources, such as the collection and exchange of supplier audit data. An added benefit of the specialized risk tools is the monitoring and reporting capabilities with both standardized and customizable KPIs, which simplify a company's ability to comply with specified legal regulations.

**Figure 4: Exemplary governance framework**

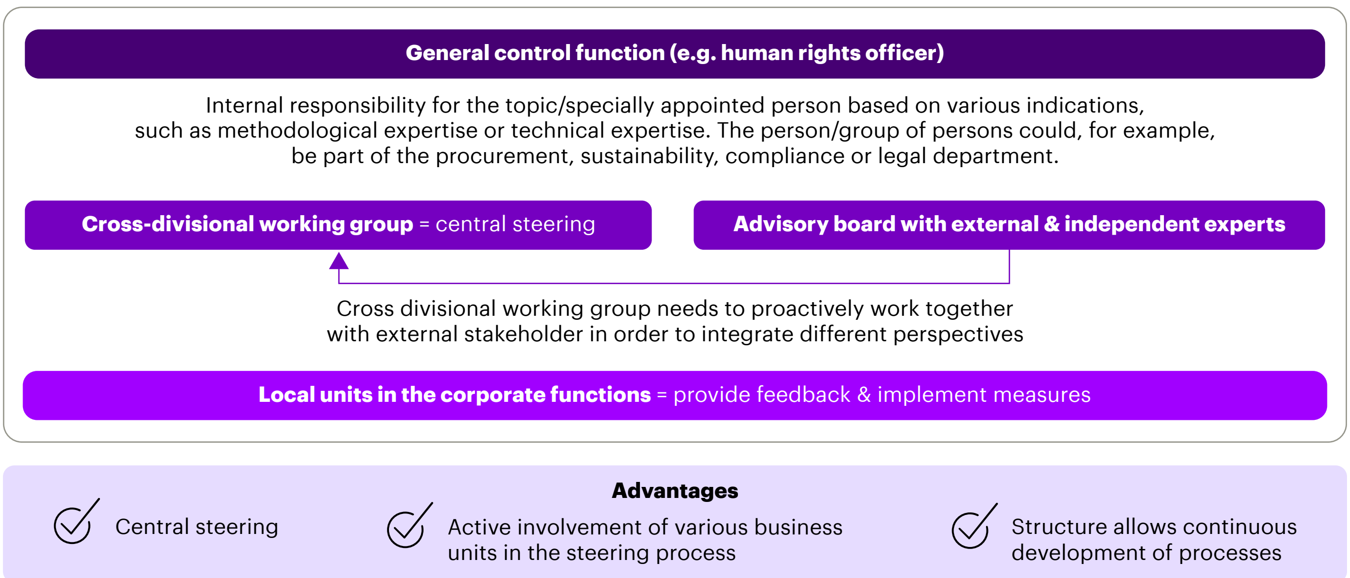
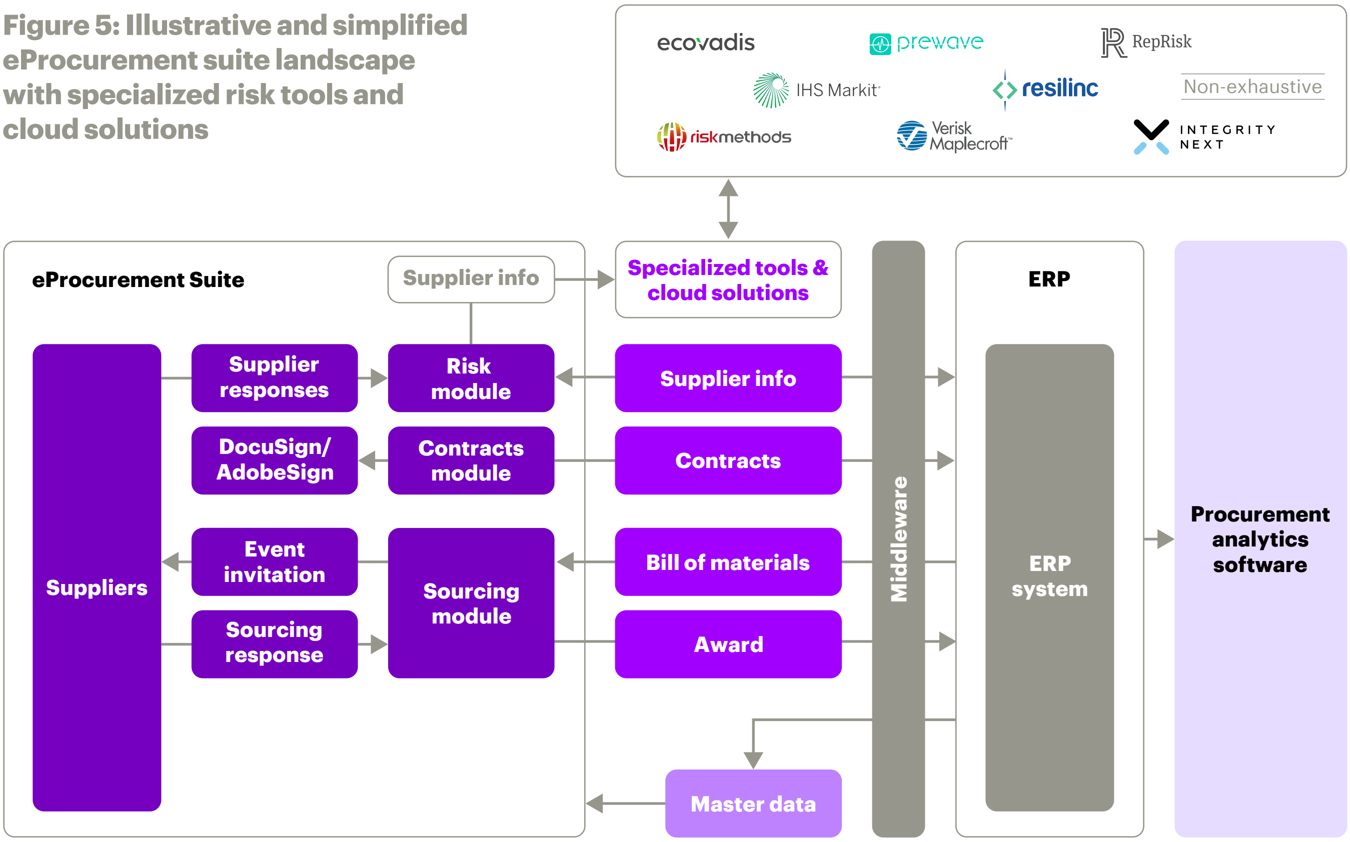


**Figure 5: Illustrative and simplified eProcurement suite landscape with specialized risk tools and cloud solutions**




## Begin now to set the foundation for compliance

Even though the Due Diligence Act leaves room for interpretation due to rather vague formulations and not all companies are equally affected, companies must use the year 2022 to prepare and implement measures before the regulations take full effect in 2023. The four-phase approach is a good roadmap for each company to follow. Most important, the priorities and measures for the law must become part of the overall procurement strategy for its long-lasting implementation in all departments across the company.

### References


[1] Accenture, Operations Insights, 2021

[2] Accenture and Twentyfift Study (commissioned by Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung and GIZ), 2021

[3] For further details on risk management please also check our article **here**

[4] Peer companies can share and upload facing supply chain issues into the system



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# Transforming a company? Talk to a parent first

Raising kids comes from the heart – transformations should too

Studies state that approximately 70 percent of all company transformations fail to be executed successfully. In my 30 years of top management experience, I have seen that this sobering statistic is accurate. During my career, I have spent a great deal of time studying, thinking and talking about why this is the case. These reflections have led me to a startling, if simple, conclusion: Driving a successful company transformation is a lot like raising a healthy, well-adjusted child.

I am convinced that if business transformations were as well intended as parenting, their outcomes would be much more successful. Unfortunately, many transformations fail because of the following four flaws:

- Misaligned communication and inconsistent behavior by leaders
- Limited responsibility and a lack of freedom to act
- Insufficient learning and too little constructive feedback
- Lack of authentic self-reflection

## Misaligned communication and inconsistent behavior by leaders

Parents who work together and are clear and transparent with their kids gain much more respect through this aligned behavior. If one parent is clear that there are no mobile phones or tablets during family meals, it will not have any impact on the child if the other parent isn't also committed to following through. Certainly, if both parents do not share and express the same opinion with consistent guidance about a difficult topic – staying out late, for example – the teen will be confused and invariably bend the rules. It is not enough to communicate frequently; the communication must also be consistent. Otherwise, an opportunity for a common understanding between parent and child is missed.

Similarly, if top managers do not express the same goals and explain the same implementation plan, employees will not understand the transformation. However, effective communication during a business transformation is rarely well thought through. Why, how, when, with whom and in which direction the business should be transformed must be known by all employees at all levels and in their respective business context. Therefore, it is important to communicate the case for change, the goals and the implementation steps frequently, until most of the workforce has grasped and understood them. Such intensive and aligned communication – especially at the beginning of a transformation – creates respect for every single employee, which encourages each of them to listen and understand the need for change. This, in turn, motivates action.

Furthermore, business leaders must consider how much participation in the transformation by the broader organization is really desired. If everyone has a voice, chaos is created. This also applies to employees who are specialists or lack overall context. With parenting, the need to set a clear boundary around who is in charge is essential. It can overwhelm children, and make them feel insecure, to be involved in too much decision-making.

Yes, consistent, plentiful communication is important. But walking the talk and being a real example of living the new, desired behavior is what brings it all together. As a leader, you are continuously on stage, whether you like it or not. Everyone in the company looks to you and observes your behaviors. It is, of course, the same in the education of our children. Role modelling has a higher impact than words alone. During a gospel ceremony in New York, I learned from a remarkable minister that what we do moderately, children will do in excess.

If the company wants to become more ecologically responsible but the leader keeps on dumping the plastic tableware after every lunch, then a transformation to a sustainable behavior is jeopardized. How can employees become cost conscious when top managers travel by private jet? How can employees support the strategic entry into Asian markets and endorse cultural differences if leaders make out-dated jokes about Asian culture?

As children copy our behaviors, so do employees imitate their leader. Instead of old patterns blindly driving actions, managers must align their behavior with the intended new culture and a cleanly defined transformation strategy. In my experience, too little attention is paid to this personal change process. A large part of my work with senior leaders is getting them to acknowledge these default patterns and the impact of their actions on the system. It is necessary for leaders – just as it is for parents – to do what you say.

### Limited responsibility and a lack of freedom to act

Ability and trust are essential ingredients for good parenting and successful business transformations. Attempting to convert an introverted teenager into the outgoing captain of the high school football team is a recipe for disappointment and failure. In business, choosing someone for a position is often done based on who happens to be available or is the best subject matter expert. That person's ability, experience or passion to lead a transformation process is rarely considered. For example, it cannot be assumed that a successful sales expert will also become a top transformational sales leader, even with some additional training. The selection of the transformation team should be based on candid and honest selection criteria. Once the team is working, steady support and the freedom to act will ensure success. Trust your team members just as you trust your children.

Employees should be motivated to develop themselves and decide how to proceed, within the values and boundaries set by leadership. It is equally crucial to allow for mistakes so that learning can occur. It is not possible to develop entrepreneurial behavior among employees if the leader prescribes in specific detail what is right or wrong. Most parents have been in a situation in which they have seen inevitable failure looming for their child, yet chose to let the failure happen. Children must experience and be unafraid of such failures. This shapes behavior. No employee wants to be micromanaged just as no growing teenager wants to be treated as a little kid. Leaders must have the courage and discipline to step back.

### Insufficient learning and too little constructive feedback

Children are constantly learning and often don't get it the first time around. They need space to build their own experiences, without the fear of being punished if something goes wrong the first time. When parents set aside their high expectations, kids will not be afraid to try new things, fail and try again. Similarly, employees who are allowed to make mistakes without the risks of career-destroying punishments – whether those risks are perceived or otherwise – can learn faster and deeper. They take risks, trust themselves and ultimately significantly increase the value of their contribution to the company.

Unfortunately, in many companies fear prevents employees – from top management to those on the shop floor – from learning from their failures. I worked with a client that had a leadership team under the executive board. Team members were afraid to raise unpopular opinions or push any new behaviors. "If you don't do it my way, you will be punished" may not be explicitly stated, but it is often expressed through nonverbal communication. Such subtle threats prevent employees from trying new ideas. And without new ideas or honest dialogue transformations are dead in the water.

Developing internal trust requires feedback. Providing feedback is one of the most powerful tools leaders can use to develop employees. Leaders must take the time and have the courage to give authentic, honest feedback. What was well done? What can be improved? Which behaviors were helpful? Which ones were not? Although everyone agrees that feedback is important, it is all too rarely provided. Finding the right words is not always easy. They must be practiced, delivered with empathy and clearly expressed without pressure and threatening overtones. Employees want to feel safe. This allows them to hear – and act on – the feedback.

For many people, it is difficult to receive and accept feedback without feeling offended or marginalized. If feedback is perceived as an opportunity to grow instead of a personal attack, it becomes a building block to a successful career. Feedback can be a source of motivation. Top managers should consider providing positive comments a mandatory element of making teams successful. Acknowledgements and praise should be expressed three to four times as frequently as pointing out needs for improvement. Of course, leaders – as well as parents – must set rules and boundaries and live their values. But after the support and coaching, it is time to give employees – just as you would children – the space to let them do it by themselves.

### Lack of authentic self-reflection

And now for the most difficult part: ourselves. Parents and leaders alike – in most cases all well-meaning – can be deeply committed to learning, growth and the practice of new ideas, but ultimately their own history, character and DNA may have different ideas and drive them in old, familiar directions. Sometimes parents and leaders stand in the way of their own objectives.

Some parents question their own destructive behavioral patterns to avoid a transfer onto the next generation. Corporate leaders who are open to introspection will be more successful leading transformation processes. Self-reflection can identify the personal gaps in the leader that are getting in the way of implementing change in the company. This, of course, requires that the responsible executives are willing to critically, and deeply, question themselves. Of course, there are differences between the roles of being a parent and a business leader. Emotions and rationality are part of both parenting and business leadership, but usually with opposite weighting.

Emotions come easily to the parent. With our children, we get involved naturally: We love, we suffer, we learn and we grow with them. In the corporate world, emotions are not instinctive or universally encouraged. Harnessing and sharing emotions, not shying away from them, takes practice, demands courage and delivers an enormous return on investment. I have seen the profound impact such a shift can bring. I remember a CEO's introduction speech when he first stepped into his new role as company leader. He shared his struggles, including how strange the new country was for him and the difficulties his family was having adjusting. By sharing such vulnerability and personal feelings, his team opened up and shared their worries, too. The ice was broken. Over the course of one speech, he had built more trust than many leaders do in a year.

Executives do not have to be parents to tap into these parenting skills. Those who embrace the foundational truth of successful parenting – that both the mind and the heart are required – will be successful transforming their businesses.

**References**

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# Digital supply chain readiness

## How to (finally) make your supply chain digital

Supply chain digitalization is one of the most overused buzzwords from recent years. Digitalization is one of every year's favorites on a COO's agenda. Yet, real supply chain digitalization is hardly ever achieved, and many "digital initiatives" end up as decoupled concepts with only small-scale impact. In fact, only a few companies have cracked the code of applying digital tools on a large scale. Why? We outline shortcomings of existing digitalization approaches and introduce a framework that will help you determine your current supply chain digitalization maturity as well as next steps.

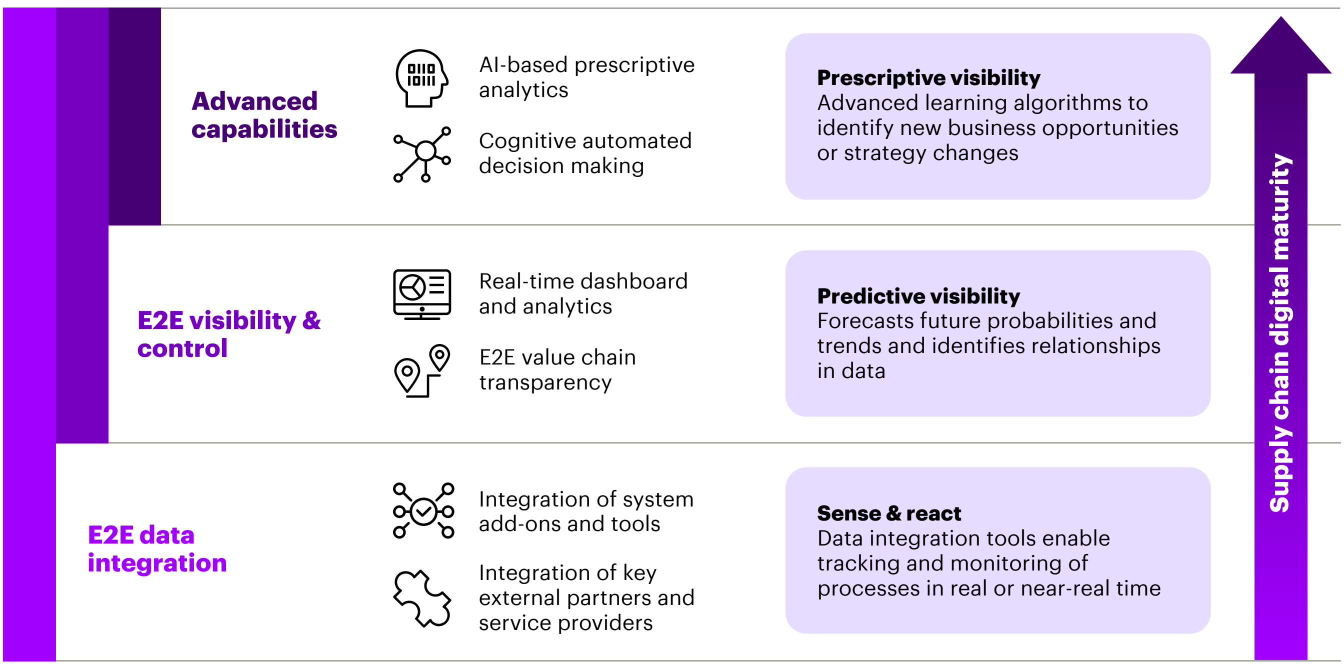
## Digital Supply Chains – A buzz word versus the actual status quo

We all know the "digital heroes," Amazon, Google and other tech giants, that built their entire business model on data and digitalization. Numerous articles predict an increase in the adoption of digital supply chain technologies within the next few years. Indeed, our research shows that digitalization is top of mind for most COOs and supply chain practitioners. Yet, most companies have not implemented end-to-end digitalization of their supply chains. At most, we've seen proof-of-concepts and pilots of individual business units or single applications. So why isn't digitization taking hold in more supply chains?

We think we have found the answer. When we talk to clients, they often consider digitalization as the one solution to all their supply chain problems — from lack of transparency in transports to spiking transport rates, bad process execution and out-of-stock situations. They think that implementing new tools will solve their problems.

This is the wrong approach for two reasons. First, it does not consider the digital maturity of a company. Second, it does not begin with a strong foundation on which to build a transformation to a digital supply chain.

**Figure 1: Supply chain digital maturity stages**



The core of all digitalization is the ability to collect, connect, process and exploit data. Before implementing digital tools, a company must be able to define the data points to be collected and know the current availability of data. This approach will ensure that you get the foundation right. It also gives you time to train employees so they will have the skills and motivation to be successful in their new roles.

## Digital maturity

The digital maturity of a company — the state of your data collection, the maturity of the tools applied and the readiness of your organization — can be categorized into (at least) three levels. There is no one-size-fits-all approach to digitalization, so knowing where you currently stand allows you to plan for the steps to advance to the next stage. We differentiate the following maturities:

- **Beginners** have no holistic approach to analytics and digitalization; they explore data and first tools only at a siloed level, within each department.
- **Vertical integrators** can connect data from multiple departments or functions to widen the scale of digital tools.
- **Horizontal integrators** are mastering digitalization. They use company internal data points and connect them in meaningful ways, and they collaborate with external organizations and data sources to maximize the impacts of digitalization.

Where would you rank your company's digital maturity? Depending on the level, there are clearly defined actions to take to avoid rushing to solutions that may not be right for you.

## Digital foundation

A successful digital foundation is based on three pillars (see Figure 1):

First, the ability to connect different data sources, overcoming existing barriers such as data incompatibility or different data ownership. Connecting data is crucial to allow for cross-functional data insights and to detect correlation among multiple factors

Second, the ability to visualize the data, including data pre-processing and data quality maintenance. This is important as not all data sources will be equally beneficial for your purpose, and many data sources convey data errors. From our experience, visualization must be employed from the beginning to detect outliers easily.

Third, the intelligence to leverage and utilize the data at hand. This last part includes multiple dimensions, from understanding the (commercial) value of data to using the right approaches to work with the data and having skilled talent and an ecosystem to make full usage of data.

As you can see, the digital foundation is mainly about processing data. And indeed, that is exactly the correct starting point for most digital initiatives, because it allows you to customize the digital tools to the exact problem you want to solve and to obtain the full potential of such tools.

## Digital roadmap

After having achieved clarity on the first two steps, the next step is to define a clear and concise roadmap following five steps:

### 1. Identify your objectives

One objective could be to use business intelligence to help improve the output of your processes and operations by providing data insights. Another objective could be to digitalize your business model to attract new customers.

### 2. Match your objectives

You will need to find and employ the right talent and experts. But be aware that it is not only the digital experts you need. We learned that combining the right functional and digital experts will have most impact on the success of your digitalization initiatives.

### 3. Begin your actual journey by connecting the dots

You must break data siloes and combine data across boundaries — departments or even companies — to maximize the value generated by data.

### 4. Make the data visible

Browse the data and understand it, drilling down where needed and making the data workable.

### 5. Be strategic

Define how to use technology/intelligence to create value and support your objectives.

## Digital supply chain in a nutshell

As you can see, supply chain digitalization does not begin with a new tool. Instead, it is a transformational process that must build on a solid foundation. Otherwise, all you'll have are isolated pilots and use cases. To avoid that, follow our clear and tangible approach and begin your data journey today.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# The 1, 2, 3, 4PL story

## How current trends paint a vision of the future role of fourth party logistics providers in the supply chain ecosystem

The concept of 4PL celebrated its 25th anniversary in 2021. Since it emerged in the 90s, both the provider landscape and 4PL offerings have heavily evolved. Now, the concept of 4PL is changing more dynamically than ever before. The aftermath of the Covid pandemic has fueled demand for 4PL services, and the 4PL industry is expected to continue growing at 7+ percent CAGR. Let us outline the evolution of the concept and current trends, as well as our point of view on its future.

## The 4PL evolution

The term "fourth party logistics provider" was coined by Andersen Consulting (now Accenture) in the mid-90s. Back then, a 4PL described service providers that went beyond 2PL and 3PL services by also offering transport sourcing, analytics, and invoice verification. Their primary value proposition was providing transport management services (TMS) focused on efficient transport execution. Since then, both the provider landscape and 4PL offerings have evolved dramatically. Today's 4PLs are mostly asset- free service providers that leverage digital capabilities to offer supply chain and transport management services. However, in the near future, more companies will become part of supply chain ecosystems, and 4PLs will play an important role in these networks. At the same time, shippers must know how to navigate this complex environment and find the providers that meet their needs. Still today, there is no standard 4PL definition. Instead, we observe the following 4PL archetypes in the market (see Figure 1).

### Classic logistics providers

These companies, which emerged from 3PLs or carriers, are experts in logistics execution. Some of these 4PLs are reluctant to engage external carriers and focus on optimizing internal transport capacities.

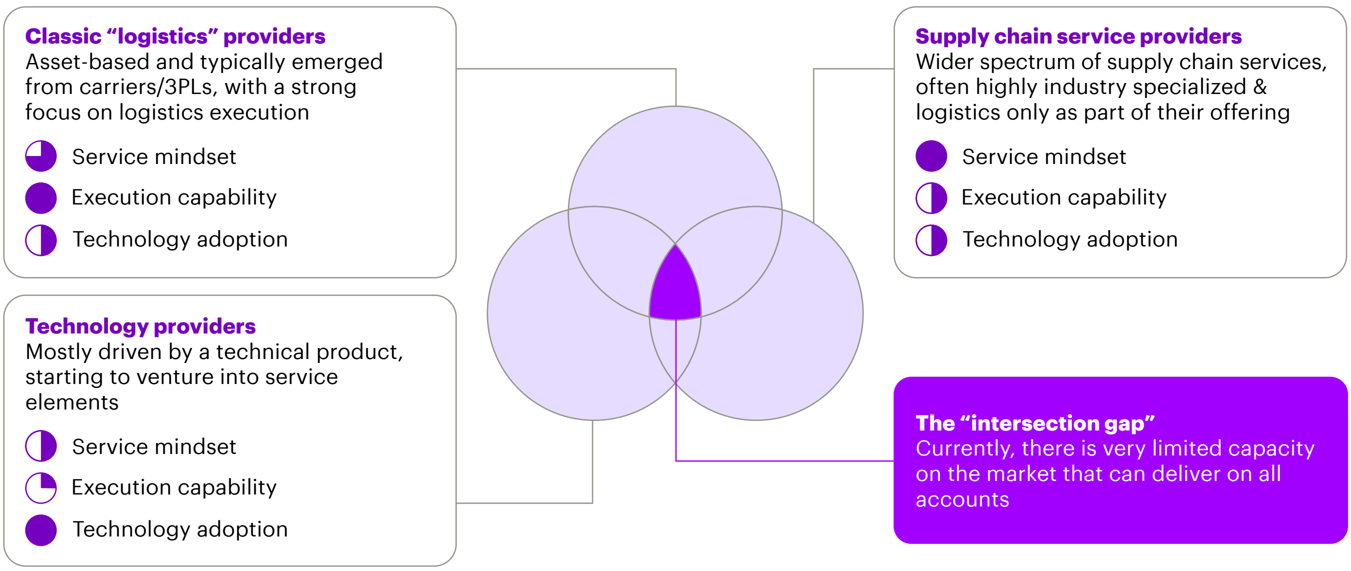
### Supply chain service providers

These 4PLs try to bring the best of two worlds – service & business and technology understanding. While they certainly have a good understanding of those two fields, they sometimes lack the ability to execute.

### Pure technology providers

Mostly platform providers, these 4PLs know technology and show exceptional skills in setting up and integrating the technology backbone. Yet, they sometimes fail to provide adequate service and execution capabilities.

**Figure 1: 4PL service provider archetypes**



Also, there is no one-size-fits-all approach when it comes to business models. 4PL setups exist for all kind of logistics, including intercompany business only, last-mile distribution only, and entire logistics.

## Current 4PL trends

We see three main themes that describe market trends:

### IT capabilities and state-of-the-art TMS

The technological landscape is evolving fast, and it is a challenge for shippers to stay up to date with new players and capabilities. 4PLs are increasingly playing a vital role by promoting and offering modern technologies, such as track and trace solutions, advanced what-if scenario and network modelling capabilities embedded in TM systems (see Figure 2), allowing shippers to leapfrog their current technology maturity.

### Integration capabilities

In a world that increasingly demands real-time execution and real-time insights, integration across the supply chain is key. Many 4PLs have developed internal connectivity solutions, extending their TMS solutions to other IT solutions. Streamlining the entire transport network through one connectivity solution can bring large benefits to shippers, such as transparency into spend and service levels. Also, these solutions replace the often cumbersome one-to-one connection (often manual or electronic data interchange) between shippers and carriers. 4PLs advertise the easy setup, offering plug-and-play integration with both shippers and carriers.

### Complexity reduction and tackling external challenges

Global supply chain disruption, like the COVID-19 pandemic, Suez Canal blockage, and port congestions on the US West coast, are growing in frequency, and their effects hit shippers hard. Tangible complexity reduction will be a big relief for shippers. As a response, 4PLs use their market intelligence to predict supply chain disruptions and prepare their customers accordingly. When a disruption does occur, 4PLs collaborate closely with their customers to jointly define strategies to manage it.

## How the 4PL model will evolve

While the 4PL market is not a stable and fully mature market, it continues to evolve. We believe the following three themes will dominate the future 4PL landscape.

**Figure 2: State-of-the-art TMS capabilities**

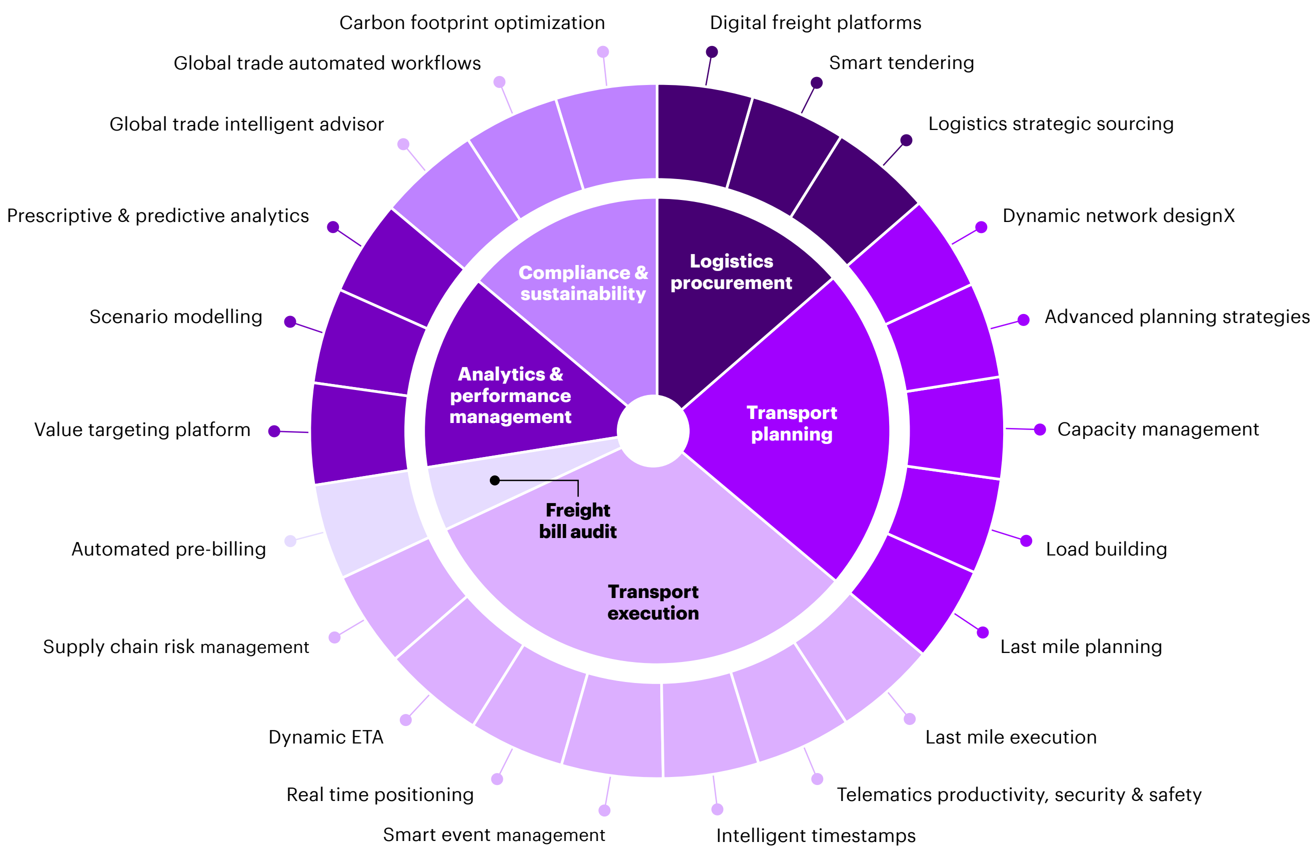
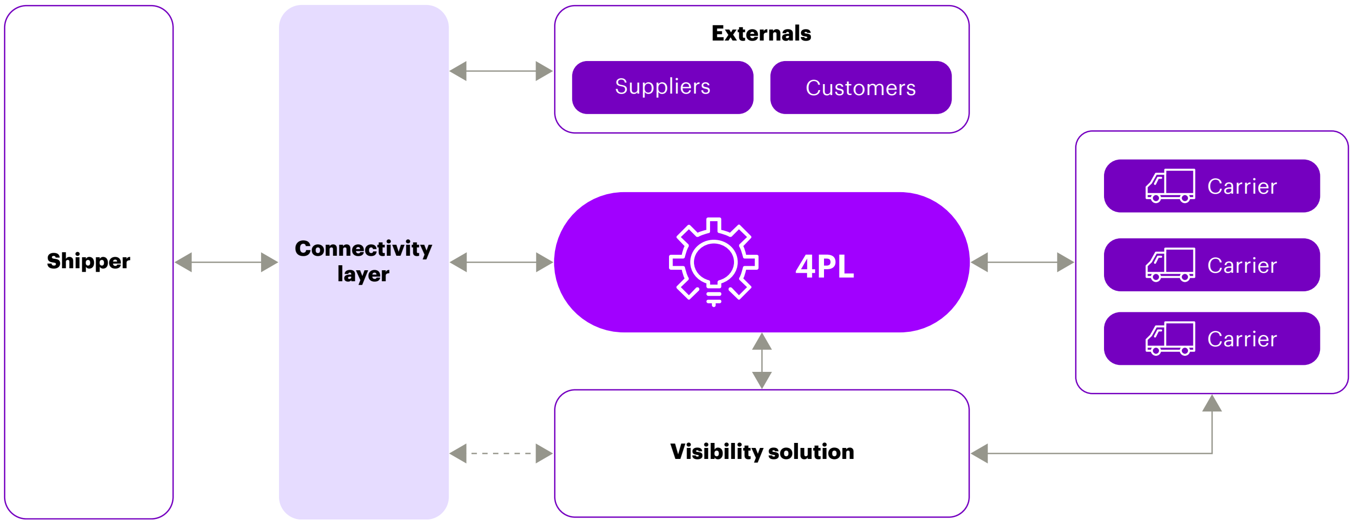


**Figure 3: 4PL as a vital part of the SC ecosystem**




## 4PLs must become ecosystem players acting as supply chain partners to their customers

Only a highly integrated ecosystem of shippers and partners, including 4PLs, carriers, software providers, suppliers, and customers, will be able master upcoming supply chain challenges. To build this ecosystem, shippers must focus on setting up and owning an integration backbone, such as a connectivity layer. With this backbone in place, shippers will be able to connect 4PLs and their respective ecosystems in a plug-and-play approach (see Figure 3). It is vital that this integration backbone is owned and managed by the shipper rather than by the 4PL, to guarantee independency toward 4PLs and carriers and avoid lock-in effects.

## The importance of technology will accelerate

4PLs must close the gap between "art-of-the-possible" technology visions and poorly executed observed technologic reality. To that end, 4PLs must continuously expand their technologic capabilities. Following the partnership theme, they also must take an active role as innovation partner with their customers, and scout, drive and ingest technologic change.

## Collaborative partnerships will be the key to success

Many 4PL business cases do not realize over time as expected, due to a lack of management and governance. The 4PL of the future must establish a strong operating model and governance with the shipper. Standard operating procedures, including RACIs, SLAs and KPIs, will ensure that both parties' expectations are aligned, and performance can be measured and met. While the shipper needs to take a more strategic and steering role, the 4PL must foster and drive continuous improvements.

In a perfect world, a 4PL combines best-in class logistics execution with cutting edge integration and technology solutions, as well as a customer hyper-focused service offering. We're not quite there yet. But we are looking forward to continuously observe the developments over the coming decades.

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# No risk, more fun

## Upskill your third-party risk management capabilities by developing a state-of-the-art framework

The ever-growing interconnectedness of global supply chains, increasing regulatory requirements and societal expectations for ethical conduct indicate the need for a holistic third-party risk management (TPRM) framework. Our industry research found that more than 90 percent of companies faced a disruptive incident with a third-party in the past three years.[1] These incidents included being exposed to reputational damage based on noncompliance with international labor laws and the inability to deliver goods due to supply chain disruptions.

## Third-party risks

Brisk interaction within an enterprise's ecosystem has become increasingly important. Thereby, joint ventures, supplier relationships and the like intensify the interaction of firms within their respective ecosystem. While there are integral benefits, these points of contact expose firms to multiple risks.

The risk of interacting with other firms is commonly referred to as third-party risk. Within this article, we will focus on strategies to alleviate these risks by categorizing different risk types, providing an insight into the ideal target state and the respective roadmap to progress toward TPRM excellence.

1 in 4 companies suffered reputational damage as a result of third-party actions.[1]

## Identify risk types

Considering the many risks organizations are exposed to, it is crucial to act immediately and upskill your risk management capabilities via a comprehensive TPRM framework, to alleviate risks in your supply chain. Third-party related risks emerge from various sources (see Figure 1), requiring a holistic approach to mitigate your exposure.

Disruptive events, such as environmental and economic change, constantly steer regulators' efforts and the public perception to diverging points of attention. Since the Global Financial Crisis, regulations have increased significantly to mitigate financial risks, resulting in the duty for firms to comply with country specific regulations. Laws, such as the German Supply Chain Act (see article "Get ready for the SC Due Diligence Act"), require companies to actively monitor third-party engagements.

However, merely adhering to local legislation is not sufficient for risk mitigation. Regulatory efforts are often intertwined with societal change. Throughout the previous decade, sustainability and social impact related topics have intensified rapidly. Thereby, reputational risk from interacting with third parties has become an integral agenda point for many organizations. In addition to the risks previously outlined, operational risks, such as being reliant on specific suppliers or the impact of disrupted supply chains, are vital points to consider. COVID-19 increased these disruptions, and many industries were exposed to operational difficulties due to the over-reliance on global supply chains.

**Procurement is well suited to embed sufficient risk management processes**

The extensive number of risk categories and the ever-increasing complexity within third-party risk management require a distinctive ownership mandate to embed TPRM in your firm. Based on its extensive interaction with suppliers, business units (BUs) and market units (MUs), procurement is uniquely positioned to take ownership for TPRM. While individual BUs and MUs might have a comprehensive overview of the specific risks for a category or country, they lack exhaustive insights. The collection of data points on all centrally managed vendors provides the procurement function with an enhanced acumen on specific risk groups, such as operational, financial, and concentration and dependency risks. By continuously engaging with BUs and MUs, procurement can augment their high-level observations with specific country and category expertise.

**Figure 1: Risk groups**[1]

**Financial risks**

- Financial stability risk
- Credit risk

Risk of disrupted supply chain due to third-party financial issues such as bankruptcy

**Geographical risks**

- Country risk
- Corruption risk
- Local regulation risk

Risk of doing business in a specific country includes social, political, regulatory and economic considerations

**Concentration & dependency risks**

- Concentration risk
- Dependency risk

Risks of over-exposure to specific provider(s) of goods/service

**Business risks**

- Sub-contractors risk
- Reputational risk

Risk of indemnity, contractual and administrative law if efficient mechanisms are not in place

**Compliance risks**

- Contractual risk
- Privacy & data protection risk
- Regulatory & compliance risk
- Technology/ architecture risks

Risks of data leakage or accidental data breach compromising sensitive customer information.

Risk of non-compliance and fines e.g. Modern Slavery Act, GDPR

**Operational risks**

- Business cont. & resiliency risk
- Cyber/IT/physical security risk
- Fraud and financial crime
- Health & safety risk

Risk of insufficient policies and procedures for information security, data protection, counter fraud measures, disruption to supply chain etc.

**Environmental, social and governance risks**

- Climate risk
- Event risks
- Sustainability risk

Risks of growing social and governance concern by negative societal and environmental impact by a company

This holistic approach will enable procurement to mitigate your risk exposure. In alignment with the respective BUs and MUs, procurement can tailor key performance indicators (KPIs) to specific risk groups based on country, category or industry. Procurement benefits from continuous internal interaction and from sustained dialogue with vendors and potential suppliers throughout the entire contract lifecycle. In fact, the various phases of the contract lifecycle can be used to gather risk assessment related data points from RFI to vendor offboarding.

If a vendor is identified as risky, procurement can initiate risk mitigation plans in coordination with the BUs and MUs engaging with the respective vendor. Altogether, the ceaseless internal and external interaction of procurement inherently places it in the optimal position to drive TPRM capabilities within your firm.

## TPRM target state

The maturity of TPRM capabilities varies among companies, based on industry and firm specific dynamics. Some have already developed strategies to reduce their risk exposure, while others are just beginning their journey toward establishing TPRM capabilities. Despite the variations in maturity, common elements are required to progress toward TPRM mastery (see Figure 2).

### Risk groups and KPI's in place

As part of the framework, major risks must be outlined and clustered into groups (see Figure 1). Based on this overview, risk types which pose an integral threat to your firm can be prioritized. Within the respective groups, risk KPIs can be derived to embed meaningful measures into the TPRM framework.

### Risk management embedded throughout all contract stages

In addition to establishing KPIs, it is vital to have sufficient processes in place. Risks should be measured along the entire contract lifecycle, requiring dedicated processes from RFI to continuous checks for onboarded vendors. Moreover, in case of detrimental risk scores, sufficient escalation steps must be in place to manage incompliant vendors.

**Figure 2: Maturity stages[1]**

Risk management maturity →

| | Ad-hoc | Basic | Moderate | Master |
|---|---|---|---|---|
| **Risk definition** | Absence of risks and risk group definition | Definition of integral risks | Risk related KPIs based on individual risks and risk groups | Holistic KPIs based on individual and clustered risks, enriched by continuous market trend analysis |
| **Risk process** | Lack of processes and risk mitigation plans | Processes documented and internally integrated | Streamlined processes including mitigation plans | Automated and streamlined processes including clear escalations and mitigation plans |
| **Risk analysis** | Manual analysis | Partly used automation including multiple manual feedback loops | Utilization of automated internal data and questionnaire evaluation tools | Tools and AI integrated into IT landscape to complement internal data sets and risk questionnaires |
| **Risk governance** | No risk governance | Governance based on BUs and geography | Cross organizational group dedicated to risk profiling | Formal governance across the entire supply chain |
| | Limited visibility into supply chain risks and analysis of potential threats | Monitoring of strategic tier 1 suppliers for basic threats | Partly streamlined risk analysis processes, including actionable mitigation plans | Firm wide embedded TPRM framework, leveraging AI to scope for potential risks and mitigate them thoroughly |

## Leverage technology and tools to streamline processes and attain artificial intelligence powered insights

Often, firms have processes in place that are not streamlined, and multiple workflows along the process are carried out manually. Automation and tools provide tremendous potential for automating processes, reducing time, and enhancing accuracy and transparency. However, these processes must be aligned with the respective IT landscape. Decisions on interfaces between tools that display risk scores during the contract lifecycle are integral. Moreover, your current IT landscape can be enriched, by using artificial intelligence (AI) powered tools within TPRM processes. By augmenting internal data sources, such as ERP systems, sourcing, procure-to-pay tools and risk questionnaires, with AI tools, you can attain enriched insights into the risk performance of your vendors. When designing your TPRM processes, consider the target picture, leveraging automation rather than being limited in your current practices.

## Establish a clear governance and roles and responsibilities along all process steps

Key roles and responsibilities must be assigned and documented as you implement these novel processes. A thorough governance, including risk owners along the process flow, is crucial to support the streamlined and automated processes. Ultimately, these decision-makers should be equipped with extensive data to mitigate your exposure to third-party related risks. Embedding the previously outlined dimensions into your TPRM framework will aid you tremendously in the effort to mitigate risks.

**Figure 3: Roadmap (illustrative example)[1]**

| Discover third-party risks | Design TPRM programme | Build TPRM processes & framework | Monitor third-party risks |
|---|---|---|---|
| **Undertake maturity assessment**<br>• Assess procurement mastery focussed on risk capabilities<br>• Conduct exploratory interviews with risk and procurement leaders<br>• Identify defences and control<br>• Discuss vison & ambition with leadership | **Establish business elements to inform TPRM programme**<br>• Establish a strategy & governance forum<br>• Define roles and responsibilities<br>• Evaluate third-party risk management platforms<br>• Identify priority risk areas<br>• Conduct initial planning activities | **Document policies, processes and procedures including:**<br>• Define policy (know your Supplier)<br>• Define approach for priority risk areas<br>• Select third-party risk management platform<br>• Execute due diligence activities on risk areas<br>• Develop inherent (IR) and residual risk (RR) models<br>• Configure TPRM platform | **Mobilise governance and framework**<br>• Launch third-party risk management platform<br>• Automate third-party risk reporting<br>• Communicate policies and standards to business<br>• Execute third-party risk management to wider business |

## Roadmap

As outlined previously, the risks immersed in your supply chain are constantly increasing and changing. Now is the optimal time to strive for TPRM excellence. To tailor the TPRM journey to your current maturity, we suggest a sequential process (see Figure 3), when developing your framework:

1. Conduct a thorough maturity assessment on the current state of the framework components
2. Design your TPRM program based on identified business elements
3. Build your TPRM processes and framework
4. Monitor third-party risk and mobilize governance

Accenture happily partners with you in your pursuit of TPRM excellence, from a maturity assessment to tool implementations, leveraging our cutting-edge expertise.

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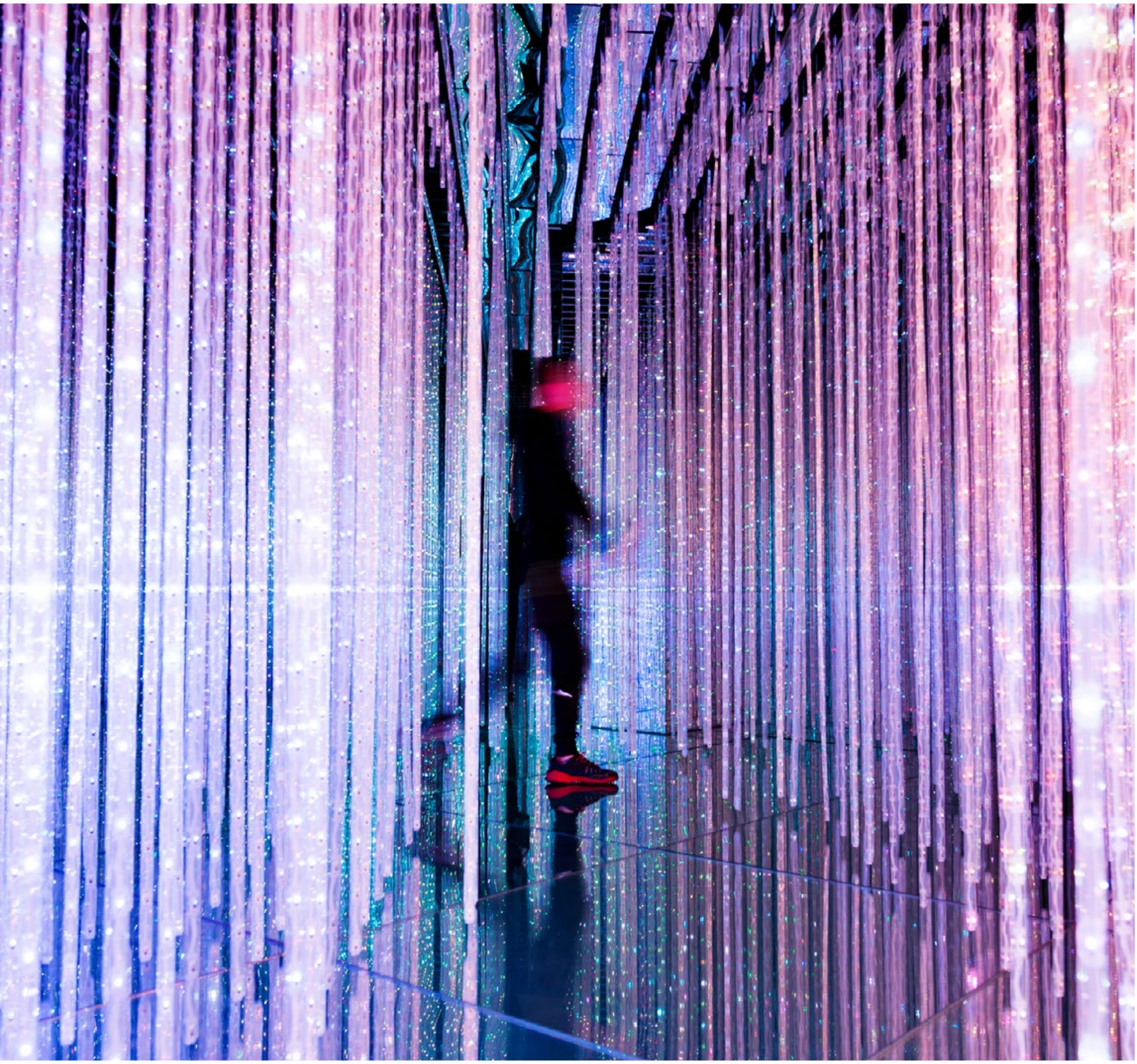
The extensive number of risk categories and the ever increasing complexity within third-party risk management require a distinctive ownership mandate to embed TPRM in your firm. Based on its extensive interaction with suppliers, business units and market units, procurement is uniquely positioned to take ownership for TPRM.

# From Data to Value

## To become a data-driven organization, adopt an end-to-end data analytics approach across your entire value chain



# The case study of a middle-size industrial equipment company illustrates how to become a data-driven organization with a deep-dive on supply chain management.

## "In God we trust. All others must bring Data." – W. Edwards Deming

Uncertainty, imbalance of demand and supply, and more stressful supply chains call for more data-driven organizations. Research we conducted across industries found that many companies are exploring data and analytics, but 80 to 85 percent of them are still stuck in the Proof-of-Concept (PoC) phase; only 15 to 20 percent have moved to the industrialization and scaling phase.[1, 2] To get unstuck and move beyond the PoC phase, it is essential to embrace the "digital heart" (see Figure 1), which puts data analytics at the center of your digital transformation to a data-driven organization. Becoming a digital transformation leader requires adopting an end-to-end program that balances technology and business requirements. The following four principles are key to unlocking the full potential of data and analytics:

1. Taylorism has found its end – break up organizational siloes
2. Set up a holistic, top-down (C-Level supported) and end-to-end data analytics approach across your entire value chain
3. Instill the value of data into the company's culture
4. Put data analytics at the center of your overall digital transformation and align your digital initiatives respectively

## Data-led transformation case study

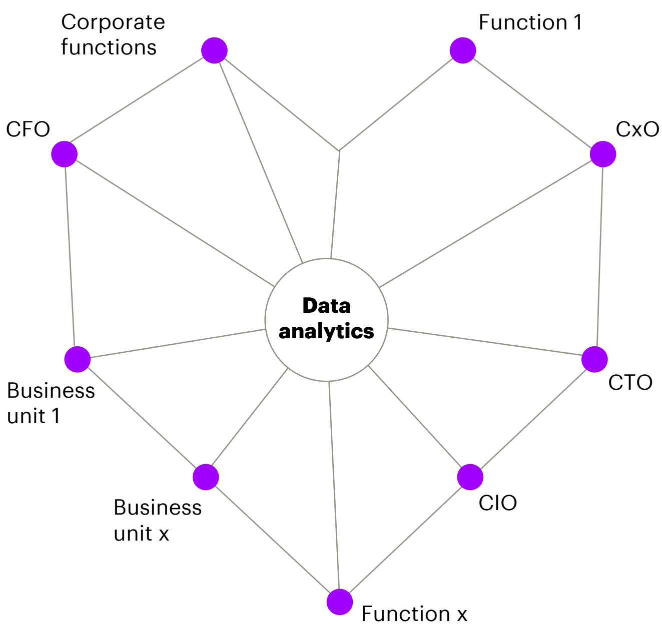
In 2019, Accenture began to work with a client that aimed to become a data-driven organization. This middle-size industrial equipment company had tried a few analytics PoCs in siloed business units, but it was not able to initiate a companywide data analytics transformation. Instead of jumping in to help fix the failed PoCs, we explained the importance of taking a step back and setting data analytics at the digital heart. Then we worked with the company to create a transformation house. This framework strengthened a companywide understanding of the bigger picture.

Data analytics use cases are critical since they serve as the bridge between business and data analytics. Yet just focusing on data analytics PoCs is not enough. As indicated in Figure 2, a company will also need to define the following:

- Strategy and value targets to guide the overall transformation journey
- Operating model
- Data strategy and governance to ensure the proper execution
- Technology architecture to enable scalability and flexibility
- Change management to facilitate culture and behavior changes

Following the data-led transformation house, we have supported the client during the past two and a half years from strategy planning to use case proof-of-value (PoV), scaling and value realization.

**Figure 1: Data analytics as the digital heart**




## Deep dive – supply chain inventory optimization

Along the value chain, the client chose the supply chain domain as the starting point to develop the data and analytics capability. The company is now expanding the know-how and experiences gained to other domains, such as engineering. We will use the inventory optimization use case as an example to illustrate the journey.

The inventory optimization use case had two major objectives: to help the business side transform into data-driven supply chain management and realize business value, and to function as on-the-job training for the client's data science team to establish and fine-tune procedures. Therefore, we decided to use a three-stage approach to increase the maturity of supply chain management and inventory optimization:

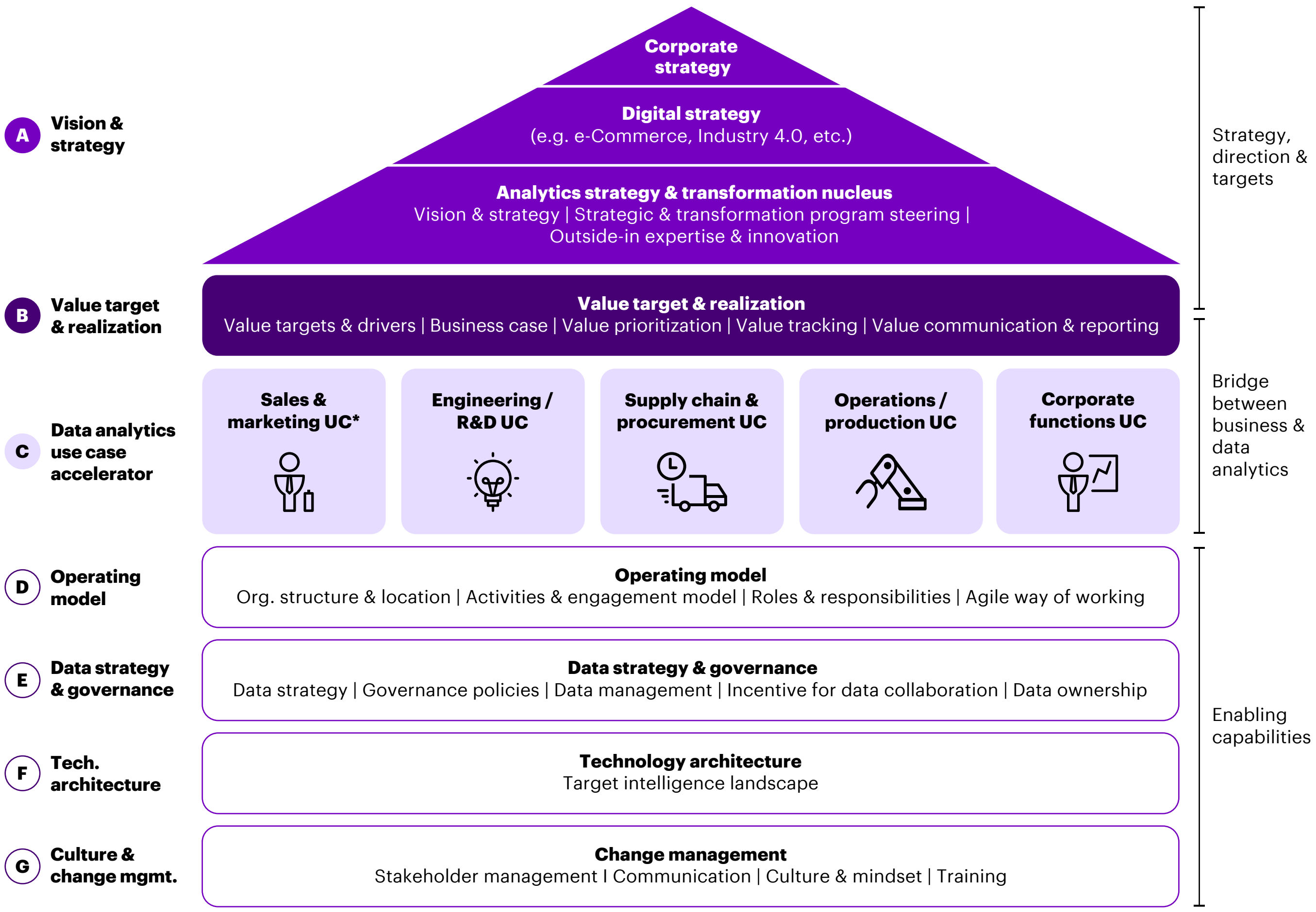
- **Stage 1:** Inventory visibility and early warnings
- **Stage 2:** Inventory prediction
- **Stage 3:** Inventory optimization

To ensure a smooth transformation, we adopted a tandem approach during the PoV phase in which a joint team of Accenture data scientists and the client's data analytics team worked together. This enabled the client's team to learn the required skills step by step so they could manage procedures in the future. The three stages are listed in Figure 3 and show the current timeline.

## Inventory visibility and early warning

The first stage of the inventory optimizer use case focused on laying the data foundation and developing the descriptive analytics capabilities. The major task was to create inventory visibility via an integrated dashboard. The dashboard combines end-to-end supply chain parameter visibility, clarifies and standardizes the corresponding calculation logic, and integrates the legacy data sources. Developing the necessary algorithms and calculations was not difficult from an analytics perspective, but a significant amount of work was needed to identify target data sources, clean the data and unify the calculation logics among plants. As a result, the client can track inventory levels across the entire network and react faster to inventory changes in the future.

**Figure 2: Data-led transformation house**




*Use case

## Inventory prediction

After laying the foundation data and descriptive analytics capabilities, we moved into the stage of inventory prediction. An alert in a dashboard is fine for a fast reaction, but further investigation was needed to understand three important questions:

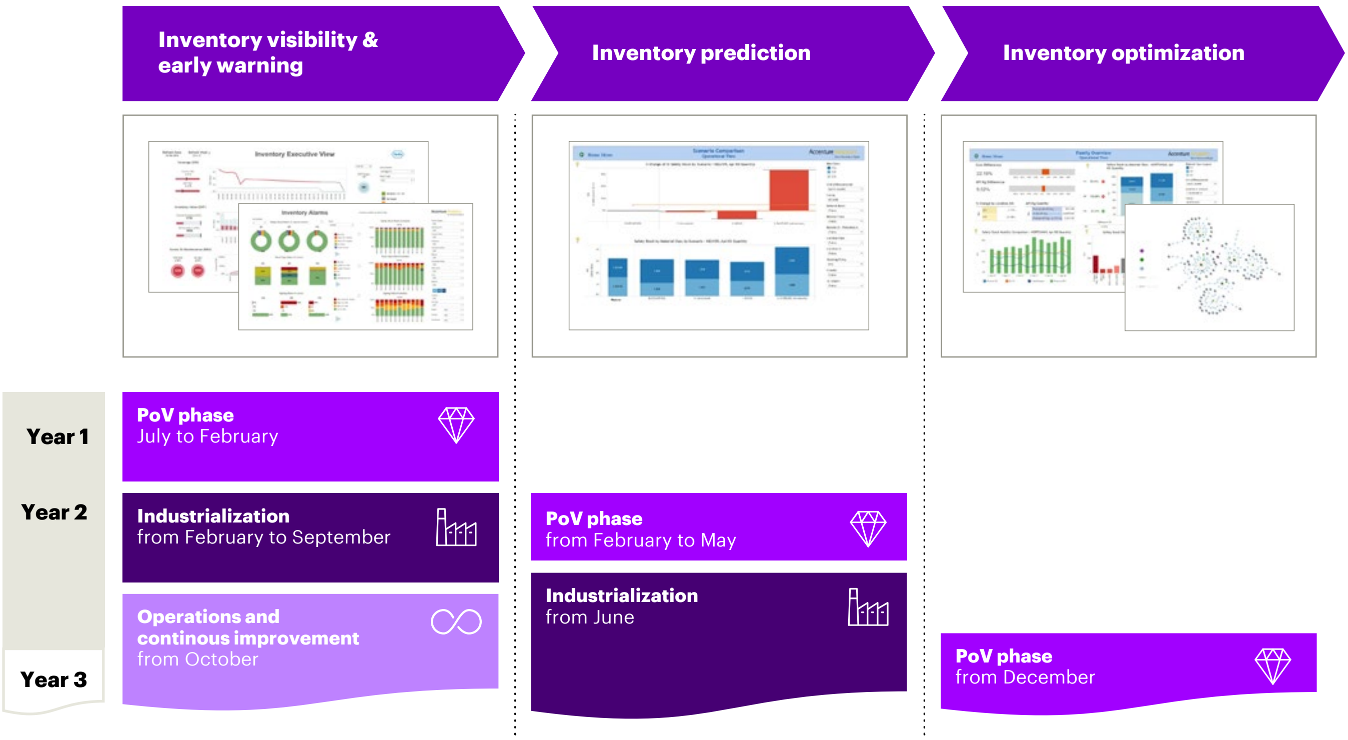
- Why is this happening?
- What if these trends continue?
- What will happen next?

First, bad forecasts must be improved to prevent too high or too low stock levels. We implemented a supply chain segmentation beyond historical grown business units to better understand the reason for shortages and how to allocate products. We also linked demand forecasting to inventory development to understand if demand changes are impacting the inventories and where they are coming from (for example, products, markets or networks). Furthermore, the forecast shows how a trend might continue. A fitting supply chain segmentation focusing on the supply side will complement the forecast to ensure a supply availability at the correct moment. In this case, we used historical data and enriched the machine learning based forecast by adding external and internal factors to gain deeper insights beyond gut feeling.

## Inventory optimization

Now the client can understand and predict the situation in a data-driven way, via descriptive and predictive analytics capabilities. The endgame is to develop advanced prescriptive analytics capability, not only to describe and predict but also to optimize. As stated earlier, the segmentation revealed different clusters with distinct product, market and network characteristics. The specific focus in this case is on the aftermarket segment. On the demand side, those products are typically more difficult to predict and influenced by various demand drivers, such as competition and the client's reorder points. On the supply side, those products are delivered from a complex supply network encompassing central and regional distribution centers, each with different safety stock settings. This set-up has resulted in comparably low inventory and service level performance. To find the correct inventory balance across the network, a multi-echelon inventory optimization PoV was initiated. Multi-echelon optimization is the solution to approach inventories holistically. Most times inventory is optimized focusing on each upstream node, however this neglects the needs of the downstream nodes.

**Figure 3: Supply chain inventory optimization program stages**



Therefore, it answers two questions at once: How much stock do I need to keep at each distribution level, and where do I keep inventory at each distribution level? This comes with certain benefits such as improved customer service, reduction of supply and market volatility (bullwhip effect) and better management of lead times.

## Lessons learned and outlook

Here are the key lessons learned from the client's data and analytics transformation journey:

- **Don't tackle the elephant all at once; slice it into smaller pieces.** Even though the client asked for multi-echelon optimization from day one, we convinced them to build up their data analytics capability step by step, from the basics of descriptive analytics to predictive and then prescriptive analytics. It gave them time to digest and conduct change management along the journey, which helped the business users begin to use data analytics and generate value.
- **Focus on fast PoVs but keep industrialization in mind.** We introduced the use case journey from PoV to industrialization to the client. As indicated in Figure 3, we began with a PoV phase over 3 to 5 months, so the business could validate the features and value creation potentials. That way, they were prepared to move into a longer industrialization phase with more confidence and support from relevant stakeholders.

We are more than happy to support your data-led transformation journey, leveraging Accenture´s end-to-end capability that combines strategy, industry know-how, domain expertise, data and analytics capabilities, and our technology ecosystems. In particular, we can help you with:

- **Building a a strong data analytics strategy framework:** Strategy and vision development will lead to a customized transformation house to guide greenfield beginners and brownfield firefighters.
- **Proof-of-value support:** Data science and engineering teams with deep domain and industrial know-how will enable business value realization while helping you nurture your in-house capabilities.
- **Industrialization:** Support and guidance from the data and technology perspective, as well as change management and culture, will ensure continuous transformation both top-down and bottom-up.

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[1] Accenture Research 2019, AI: Built to scale
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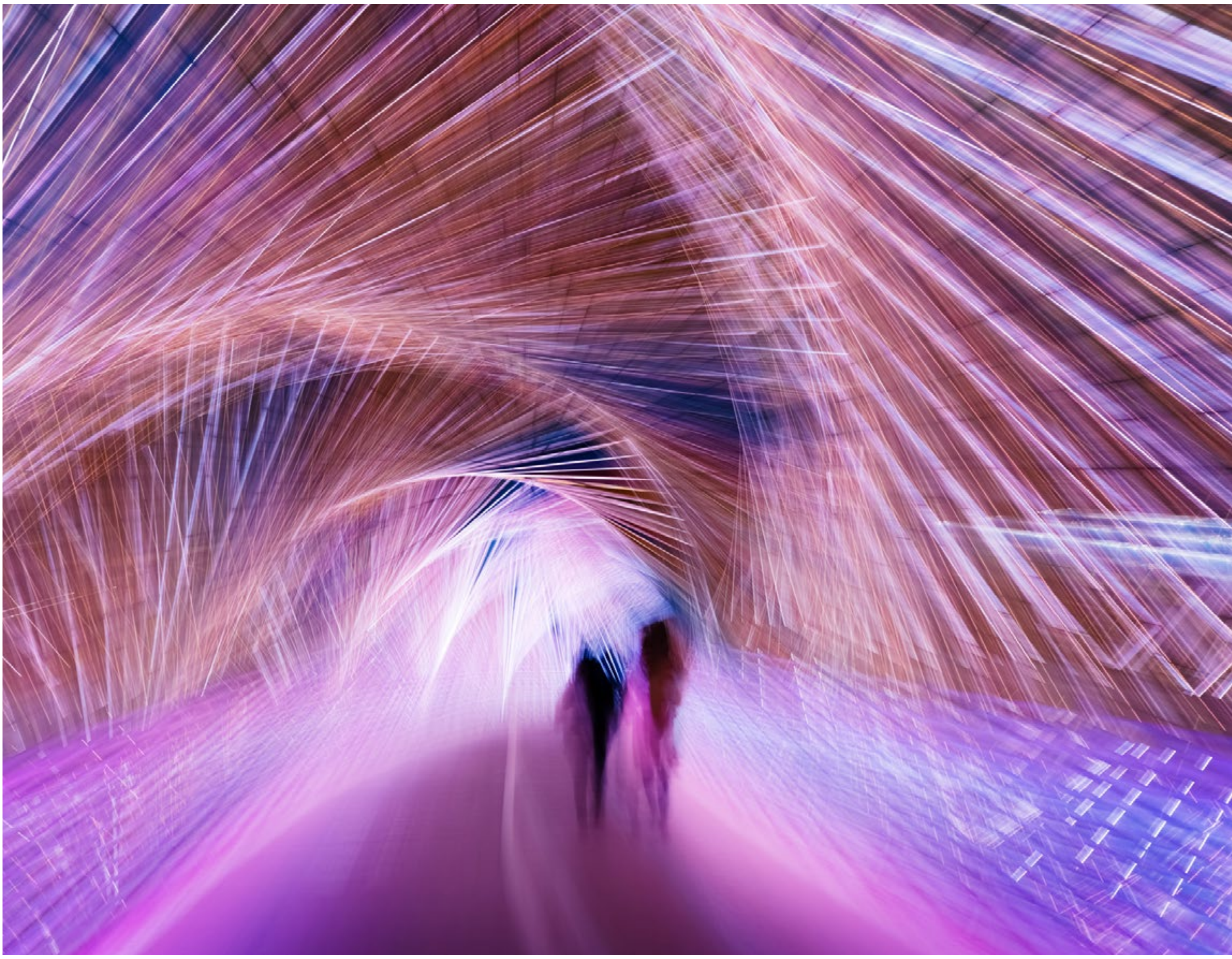


Winning the digital economy is not only about having the right technology or the right algorithms in place – it is as much as about having the right data and even more important, orchestrating and curating the data in the most meaningful way and create a real business impact – this is what we call from data to value. Today's corporations will be only achieving their growth ambitious if they strategically scale data and AI capabilities.

# The end of the ivory tower

## How automotive OEMs can shift gears to growth by taking a fresh look at their organizational structure

The automotive industry is going through a period of structural change. A series of megatrends are converging — connectivity, autonomous driving, shared mobility and electrification (CASE) — and being amplified by increased regulatory pressure. At the same time, customers increasingly expect a personalized, seamless and omnichannel journey when buying or servicing a car.

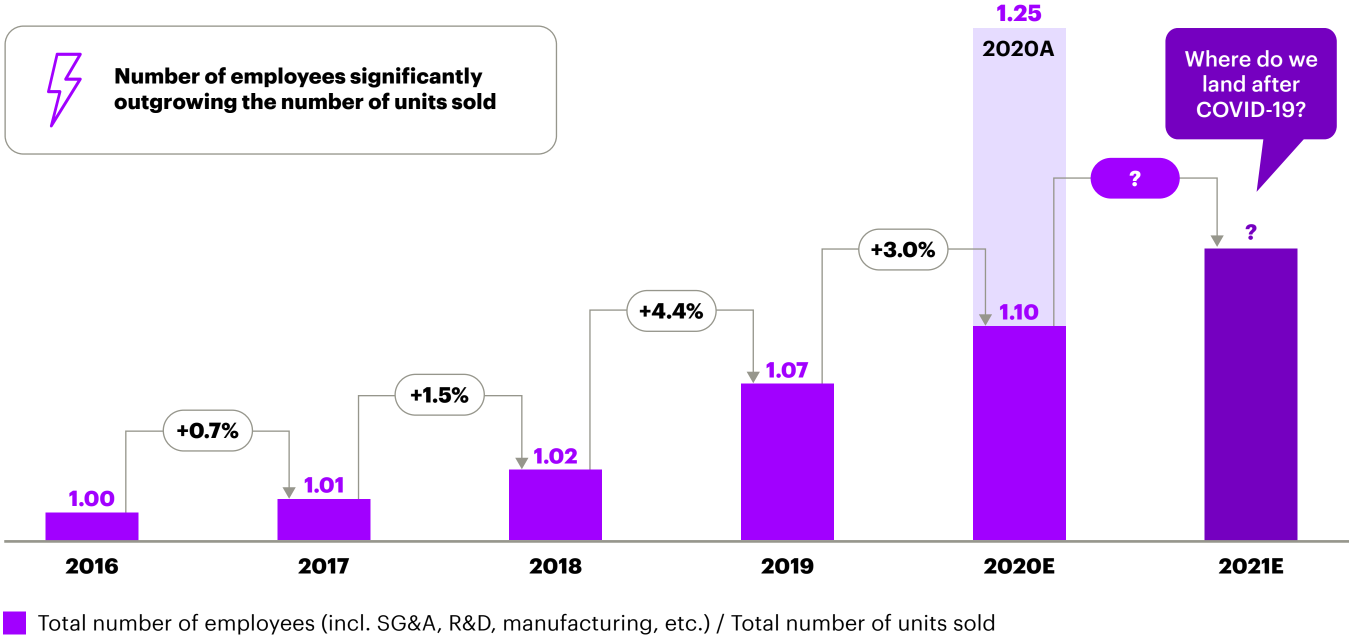
New electric vehicle entrants continue to push onto the market with lean organizational models and innovative products, intensifying the competitive pressure on incumbents even further. While the COVID-19 pandemic is a short-term crisis, it has exacerbated the challenges, particularly for the more fragile players in the industry. Indeed, the ability of many OEMs to sustain debt and generate cash is under threat. As a result, established OEMs must rethink their business models and ways of working to stay competitive.

## A growing number of ivory tower organizations

In prosperous times, when sales were growing and profitability was high, OEMs tended to increase their local headcount, primarily in functions other than research and development (R&D) and manufacturing. That gave individual organizations greater autonomy to meet local demands and keep up with business growth. But it also created an inefficient patchwork of different processes and IT systems, and a lack of overarching standards.

At the same time, many OEMs ramped up tasks and responsibilities centrally, creating redundant functional areas and a large headcount in both local and central organizations. As a result, employee numbers have been consistently outgrowing vehicle sales for years (see Figure 1). In fact, with limited ability to account for local customer needs, many central organizations have become ivory towers, disassociated from the wider organization and creating little business value.

**Figure 1: Number of employees per vehicle sold (indexed based on 2016 levels for top 20 automotive companies by sales)[1]**




2020E: Estimation in pre-COVID-19 scenario – 2020A: Actual numbers
Source: Employee data: S&P Capital IQ, Annual reports: Sales Volume: Marklines

## Time for fresh thinking and radical change

In the face of these structural changes, financial and commercial pressures, automotive OEMs must create leaner, more flexible and more efficient organizations. A foundational and revolutionary approach is needed.

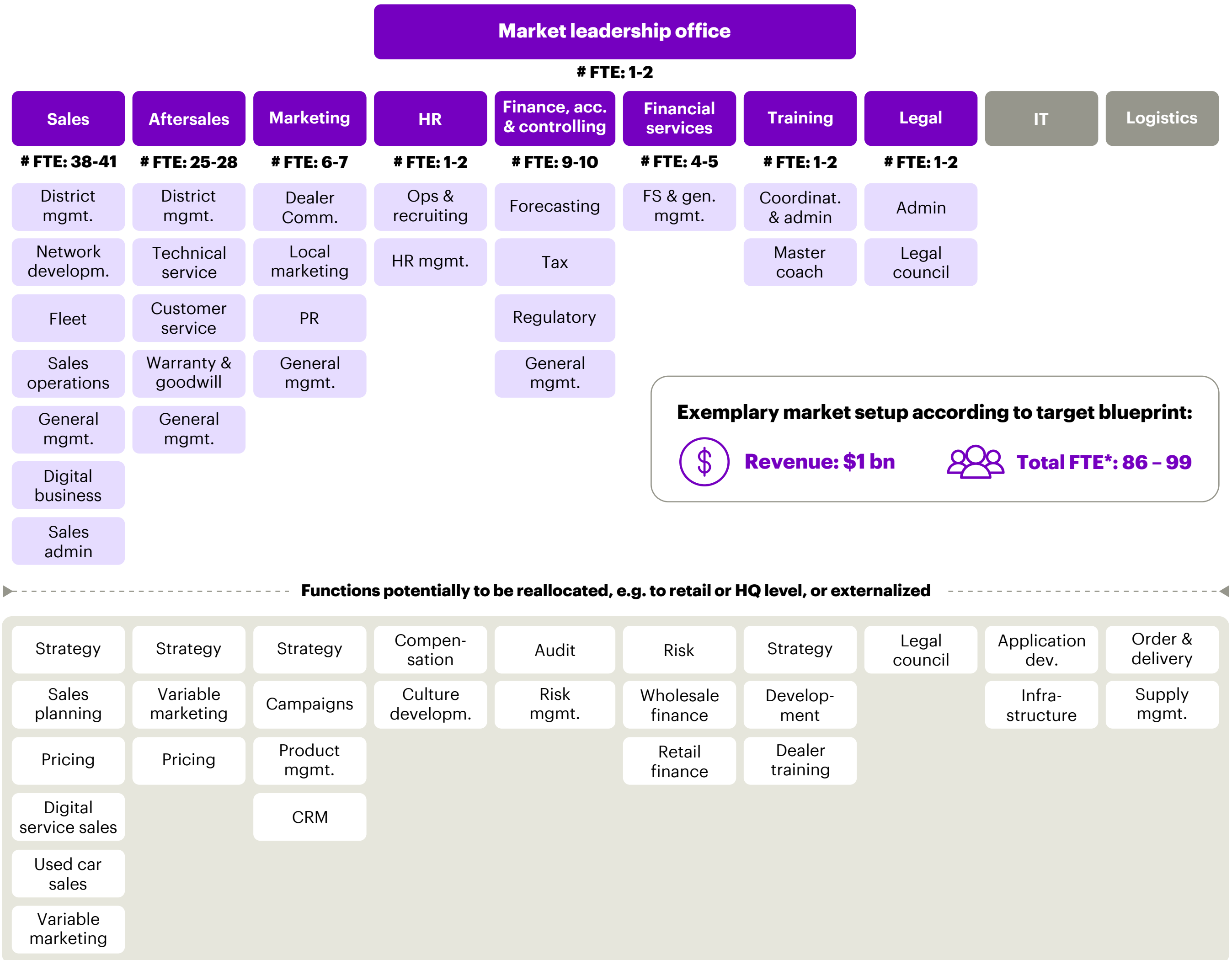
By putting the customer at the center of all considerations, a zero-based approach, which aligns company spending with strategic goals, is much more effective than a traditional cost-cutting exercise. It helps shift attention onto the value-added activities within an organization and focus on the distinctive capabilities needed to fulfill the business purpose and serve the customer. To begin from zero, OEMs must ask themselves three critical questions:

### 1. How do we shape the right kind of customer experience for today?

There are strategic pillars which an OEM can use to shape its business around consumer value, including:

- **Reinvigorate the customer experience.** Create a seamless and appealing experience across online and offline channels, along the entire sales and after-sales customer journey.
- **Reinvent offerings.** Shape an end-to-end offering (vehicle, digital, financial services, aftersales and parts) that meets customer demands in each local market.
- **Reframe dealer responsibilities.** Treat dealers as true business partners, supporting them with insights and recommendations that allow them to manage their financial risks, rather than pure key performance indicator (KPI) steering.

**Figure 2: Illustrative setup for a lean market organization with $1 billion revenues**




*FTE setup (total of 86 – 99 FTEs) exemplary for a $1bn revenue market organization. Actual FTE requirements may differ per OEM based on product-service mix (e.g. digital, fleet), level of process standardization, willingness to use externals (e.g. training), IT system support and legal requirements (e.g. worker council).

- **Reimagine stationary sales.** Create an environment in which dealers can deliver on the customer promise (for example, retail standards, right people with the right skills, and training).
- **Reshape regulatory compliance.** Ensure the business can continue to fulfill its legal obligations for local operations (including financial reporting and taxes).

### 2. What's the leanest feasible local market setup that can deliver on that promise?

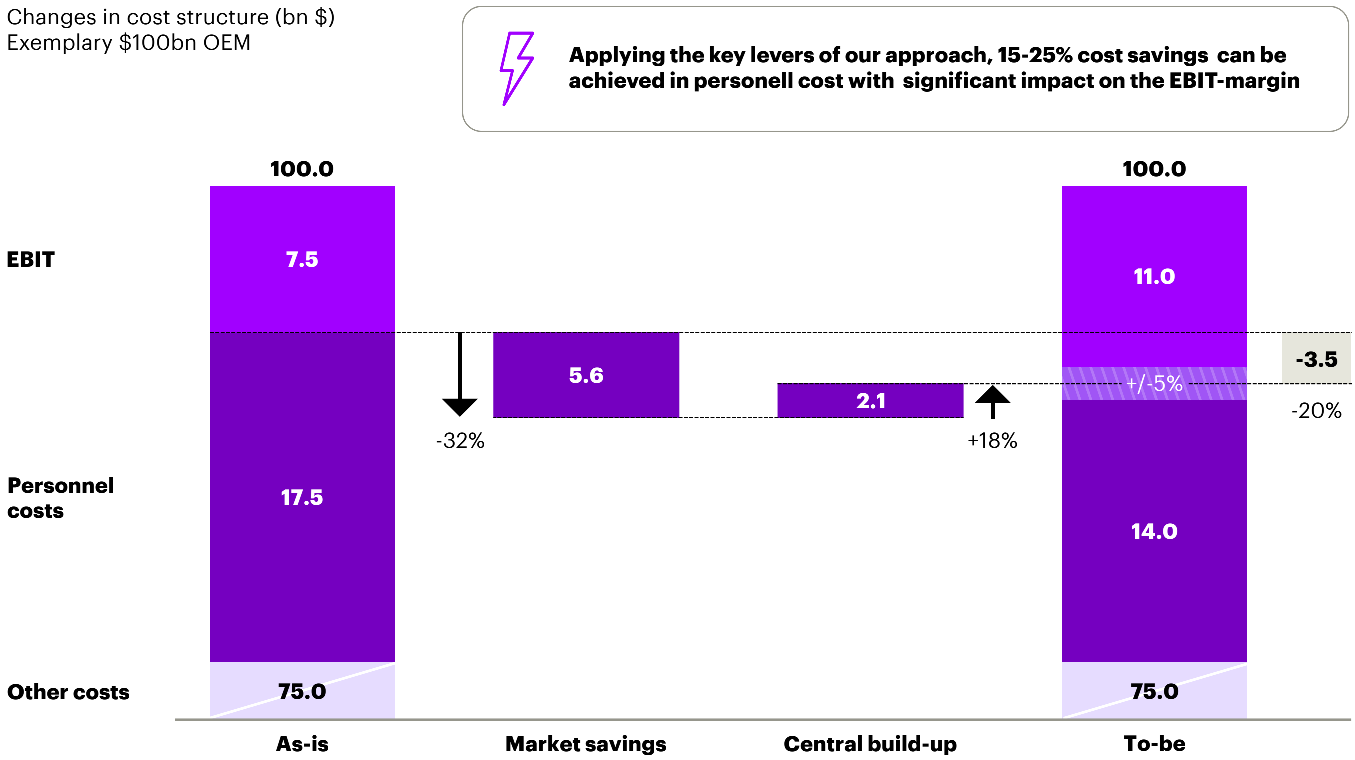
Based on experience working with a range of OEMs, Accenture designed and validated a highly lean, standardized market blueprint that adheres to the strategic pillars described above (see Figure 2).

This streamlined organization emphasizes customer-facing and dealer-facing activities that require direct interaction (in local languages) and provide opportunities for local differentiation. Local efforts shift to core frontline and value-adding functions, such as district management.

Remaining activities may be further streamlined through automation or externalization:

- **Automation.** Rule-based transactional activities that have structured inputs/outputs and few exceptions should be automated (including sales planning, human resources, payroll management, finance reporting and customer support)
- **Externalization.** Activities that are subject to fluctuating demand and/or require a highly specialized skillset should be externalized. Accordingly, ad-hoc training and legal support should be localized (for example, translation and integration of local product and legal specifications), covered by external full-time employees to gain efficiency and flexibility.
- **Right-sizing.** Internal and external benchmarks will enable the OEM to compare efficiency levels both within the organization and across the industry and define reasonable KPIs. Headcount levels for activities remaining with local market organizations can then be determined along market-specific parameters, such as sales volumes, dealer locations, product and customer portfolios.
- **Portfolio review.** The strict operational redesign at the local level should go hand in hand with a strategic review of the OEM's local market portfolio. If operating a proprietary local market organization is not economical — for instance, in low-volume markets — the OEM should consider other options, such as direct sales, independent distributors or complete closure.

**Figure 3: Potential cost savings in sales, after sales, marketing as well as support functions/G&A (not including R&D or manufacturing)**



**3. What kind of support is needed from the central organization?**

OEMs should consider which activities can be centralized. Two principal factors will govern this decision:

- **Revitalize ivory tower organizations.** Reshaping the local level creates the perfect opportunity to centralize ownership of activities that determine the future of the enterprise—and transform the ivory tower into a value-creating organization more closely involved with the core business.
- **Generate efficiencies through synergies.** Centralizing functions that are not necessary for local differentiation can help generate substantial efficiencies and much-needed flexibility in times of crisis. Examples include enabling functions such as logistics, finance and human resources, as well as conceptual work such as marketing with only limited need for localization.

## The size of the prize

There's a lot at stake here. A typical $100 billion OEM can expect to see between 15 percent and 25 percent savings in personnel costs in the areas of sales, after sales and marketing, as well as support functions (general and administrative), not including other functions such as R&D and manufacturing, with significant impact on the EBIT margin (see Figure 3)[2]. In addition, right-sizing local market organizations in accordance with a zero-based blueprint could deliver savings of $5,6 billion.[3] These are partially offset by increased resources at the central level ($2.1 billion), but a zero-based reshaping of the organization still results in net savings of $3.5 billion.

## The path to a new possible

Starting afresh is rarely easy, of course. But the rewards of a zero-based approach makes it a journey worth taking. By developing a zero-based mindset that views the business with a fresh pair of eyes, a clean slate and a customer-first approach, automotive OEMs can revitalize and reshape their organizations. That will be essential to enable them to better manage today's turbulence, operate in leaner ways, increase profitability and secure their future growth and prosperity.

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[1] Accenture Research analysis based on top 20 Automotive OEMs financial data from S&P Capital IQ and volume sales from MarkLines

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[3] Accenture analysis based on a hypothetical $100B Annual Revenue OEM



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Many central organizations have become ivory towers, disassociated from the wider organization and creating little business value.

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