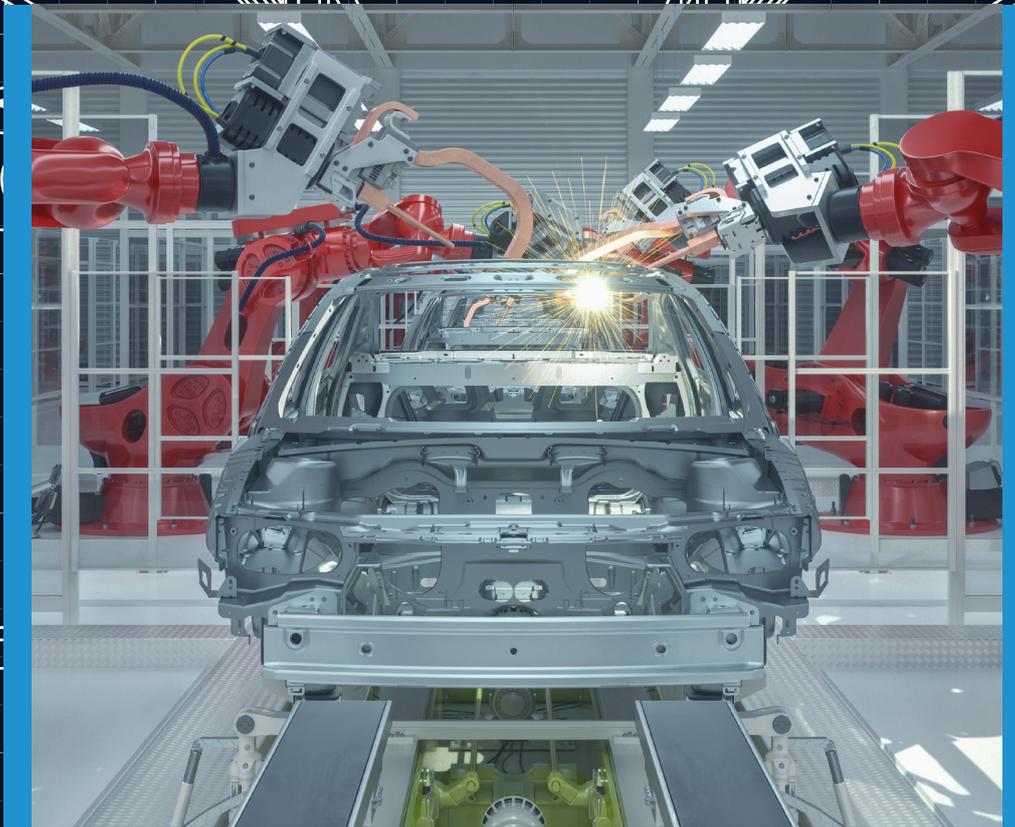


Advanced Manufacturing and Mobility

Will your strategy go from virtual to reality?

From design to delivery, real-world strategy to reframe your future.



The better the question. The better the answer.
The better the world works.

Four ways manufacturing and mobility can improve corporate strategy in a disrupted world

For most manufacturing and mobility leaders, the COVID-19 pandemic and non-traditional competition point to the need to change long-term strategy and to allocate capital toward innovation and digitization.

Among the key findings in the latest EY-Parthenon Realizing Strategy survey of CEOs, CFOs and other C-suite executives: 75% of Advanced Manufacturing and

Mobility (AM&M) executives say they will need to adjust their medium-to-long-term strategy due to COVID-19. In addition, 25% of AM&M executives, versus 10% on average in other sectors, believe that the pandemic is impacting their sector so drastically that they will need to fundamentally change their strategy.

Among other key findings from the AM&M executives surveyed:



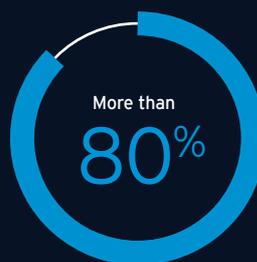
76% say that customers are as important as, or more important than, shareholders when formulating strategy and 61% say the same of environmental and social issues



63% believe that the biggest competitive threat in the next three years will come from a company outside their current sector. This response was particularly true of companies in the chemicals, transportation and travel/tourism industries



60% expect to moderately to substantially change their capital allocation process to maximize the value of investments



More than 80% of AM&M companies that added new officers in the last five years - including leaders focused on growth, innovation, transformation, sustainability and information security - say those positions have delivered moderate to significant impact



There are four key areas that CEOs and other executives may consider as they develop strategy. They include:

01 Rewire the organization to move at the speed of thought

The global manufacturing industry is rapidly shifting from mass production to advanced, disruptive technologies, and the pandemic has expedited the need for digital capabilities. But many manufacturing and mobility companies have grown through multiple acquisitions that may not have been properly integrated or that have not achieved full returns. This means leaders may need to reexamine their capital allocation processes.

As more players enter AM&M ecosystems, internal processes and controls, including budgeting and risk management, may need to be redesigned to overhaul the capital allocation process.

Additionally, the survey shows that the COVID-19 crisis has prompted executives to reexamine elements of strategy formation across their businesses. These areas include the distribution channel, cost structure, capital allocation process, and supply chain and operating model. It may be crucial to take a systematic and objective approach that is supported by data and linked to strategic goals. This approach may also need to be flexible enough to quickly respond to changing market dynamics so that capital may be redeployed on strategic imperatives.

Key priorities for AM&M executives: Break down silos to enable clear visibility into every business and functional unit across the enterprise and readdress core capabilities, determine impactful areas in need of help and be willing to take risks with swift capital redeployment to achieve disruption.

02 Embrace the changing dynamics of the manufacturing and mobility ecosystem

Unexpected entrants have had a material impact for 72% of AM&M survey participants.

In response to the new entrants, AM&M organizations have invested more capital in innovation; significantly reduced their cost structure; and exited key markets, segments or geographies. Yet two-thirds (64%) of AM&M executives who responded to EY-Parthenon's survey say their strategic discussions are focused on improving current products rather than exploring new ones. In other sectors, the focus was balanced between existing and new products.

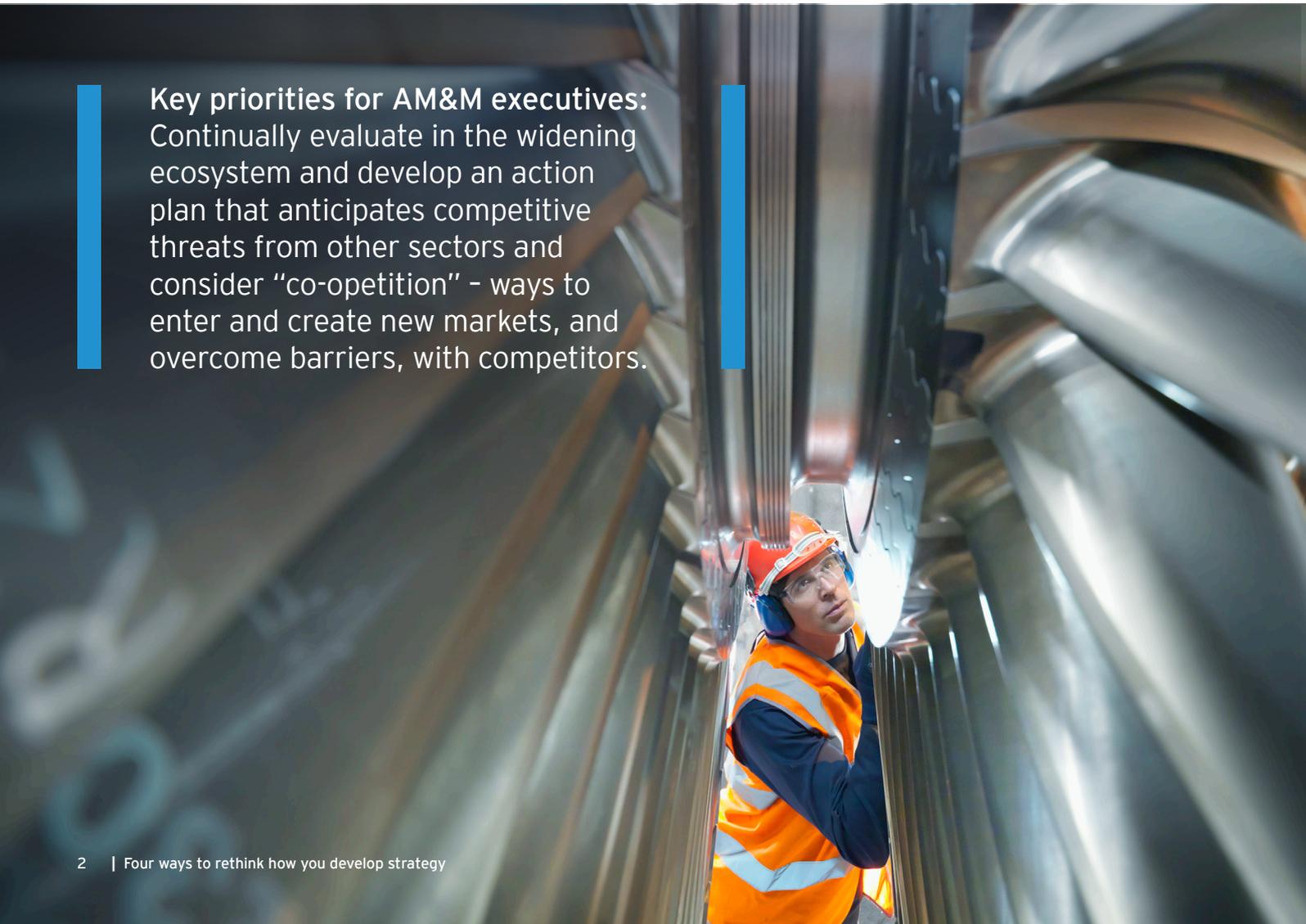
As industry dynamics continue to change, nearly half (47%) of AM&M executives say they are willing to pursue disruption even if it compromises short-term

financial results to improve long-term performance and sustainability. There is even a willingness to partner with competitors to overcome traditional barriers or to enter into new markets.

Most AM&M organizations (89%) are increasingly using alternative forms of investment to position their organization for the future; including joint ventures, incubators and minority investments in startups. But they have pursued corporate venture capital (CVC) funds less than most other industries.

Key priorities for AM&M executives:

Continually evaluate in the widening ecosystem and develop an action plan that anticipates competitive threats from other sectors and consider "co-opetition" - ways to enter and create new markets, and overcome barriers, with competitors.





03 Incorporate diverse C-suite perspectives to flawlessly develop and execute strategy

AM&M companies are incorporating new and diverse C-suite perspectives that help to flawlessly execute strategy as disruptive technologies, and the pandemic, expedite the need for change.

Over the past five years, 25% of manufacturing and mobility organizations established new roles such as Chief Transformation Officer, Chief Innovation Officer, Chief Sustainability Officer, Chief Growth Officer and Chief Information Security Officer. More than 80% of executives whose companies added these roles said they have delivered moderate to significant impact given

the organizational transformation required to address regulatory change and increasingly interoperable data.

One third (33%) of C-suite executives agree that board members with experience in innovation and digital businesses not only can be stewards of strategy but can drive innovation. Leveraging the external insights provided by the board in key capability areas, combined with internal expertise, can help combat and disrupt new entrants.

Key priorities for AM&M executives: Consider implementing or expanding roles tied to strategic mandates in sustainability, growth, digitization and transformation and embrace the essential capabilities of board members in achieving strategic goals.

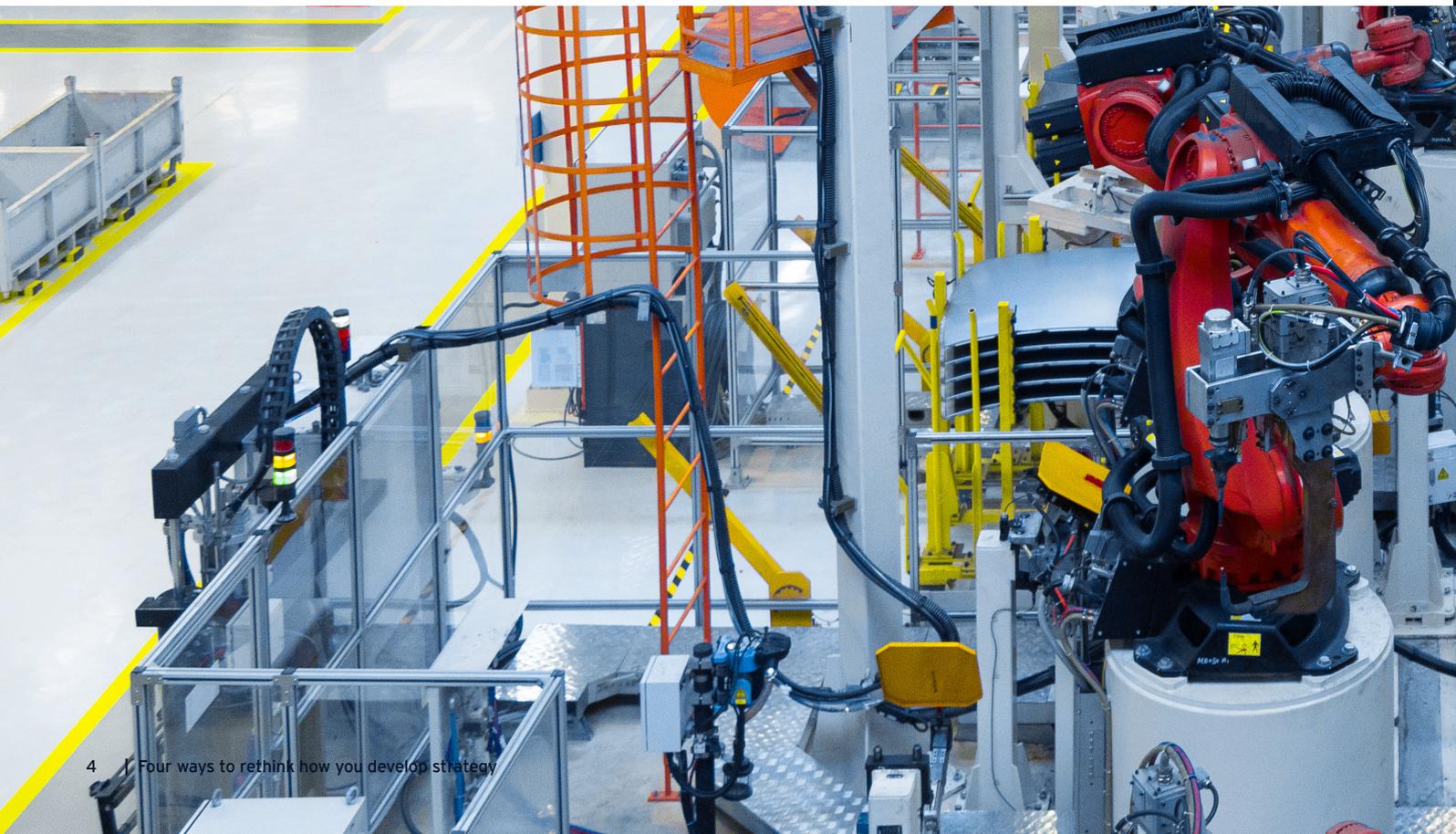
04 Understand different stakeholders, objectives and mindsets

With the global pandemic hastening challenges for manufacturing supply and demand, it may be immensely important to consider a broader set of stakeholders when addressing medium- and long-term strategy.

Three in four, or 76%, of AM&M executives recognize customers as being as important or more important than shareholders when formulating strategy, which lags

other sectors (Consumer Products, Financial Services, Health and Life Science, and Technology). Executives recognize the increased importance of environmental issues and regulatory requirements, reinforcing their perspective that strategy must be looked at holistically.

Key priorities for AM&M executives: Reevaluate the objectives and mindsets of various stakeholders including customers, shareholders and employees; and carefully weigh the evolution of environmental and social factors.



Conclusion

With AM&M organizations experiencing so much change, they may need to take eight key actions for reimagining and realizing long-term strategy:

- 1 Understand the totality of your ecosystem to effectively compete and innovate
- 2 Focus on Total Stakeholder Return to enhance enterprise value
- 3 Build real-time, dynamic analytics and strategic planning to pre-empt disruption
- 4 Increase the speed of capital relocation in your organization's DNA for adaptability
- 5 Build a repertoire of playbooks to boost ROI from all types of transactions
- 6 Redesign your process to enhance the value from your ecosystem
- 7 Keep the digital strategy in sync with enterprise strategy to unlock full potential
- 8 Redesign the capital allocation process to enable swifter capital redeployment



Author

Peter Aman

Principal, EY-Parthenon
Ernst & Young LLP
peter.aman@parthenon.ey.com

Juan Uro

Principal, EY-Parthenon
Ernst & Young LLP
juan.uro@parthenon.ey.com

Sarah Rose Wright

Senior Director, EY-Parthenon
Ernst & Young LLP
sarahrose.wright@parthenon.ey.com

For more information, please visit
ey.com/parthenon

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. For more information about our organization, please visit ey.com.

Ernst & Young LLP is a client-serving member firm of Ernst & Young Global Limited operating in the US.

About EY-Parthenon

EY-Parthenon teams work with clients to navigate complexity by helping them to reimagine their eco-systems, reshape their portfolios and reinvent themselves for a better future. With global connectivity and scale, EY-Parthenon teams focus on Strategy Realized – helping CEOs design and deliver strategies to better manage challenges while maximizing opportunities as they look to transform their businesses. From idea to implementation, EY-Parthenon teams help organizations to build a better working world by fostering long-term value. EY-Parthenon is a brand under which a number of EY member firms across the globe provide strategy consulting services. For more information, please visit ey.com/parthenon.

© 2021 Ernst & Young LLP.
All Rights Reserved.

US SCORE no. 12049-211US
CSG No. 2009-3580988
ED None

This material has been prepared for general informational purposes only and is not intended to be relied upon as accounting, tax or other professional advice. Please refer to your advisors for specific advice.

ey.com