



The Effectiveness of Crisis Management

AV.consulting Research Paper

Dubai, March 2018



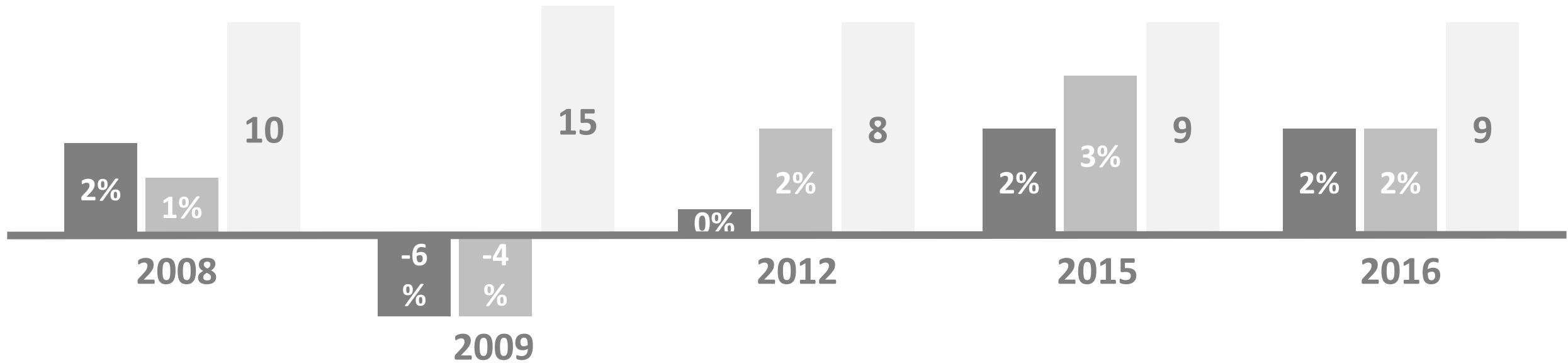
Content

- 1. Our Roadmap**
- 2. Our Findings**
- 3. Our Conclusions**
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All Global Sectors

Company crises are very frequent, both in economic crisis and prosperity.

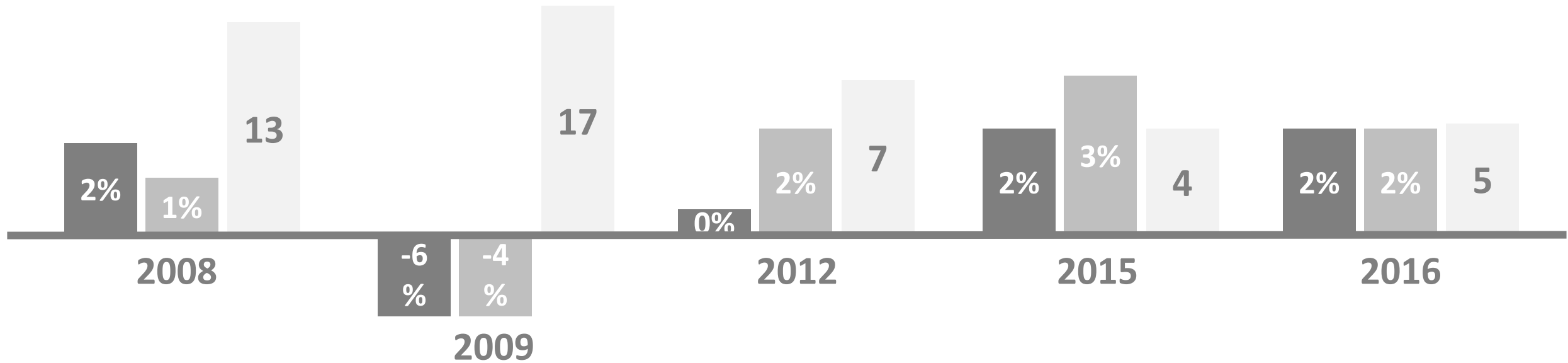


Annual EU GDP Growth
Annual US GDP Growth
% Loss Makers in Top 2000 Global Public Companies



Financial Sectors

Financial sectors have a relatively higher company crisis rate during economic crises



Annual EU GDP Growth

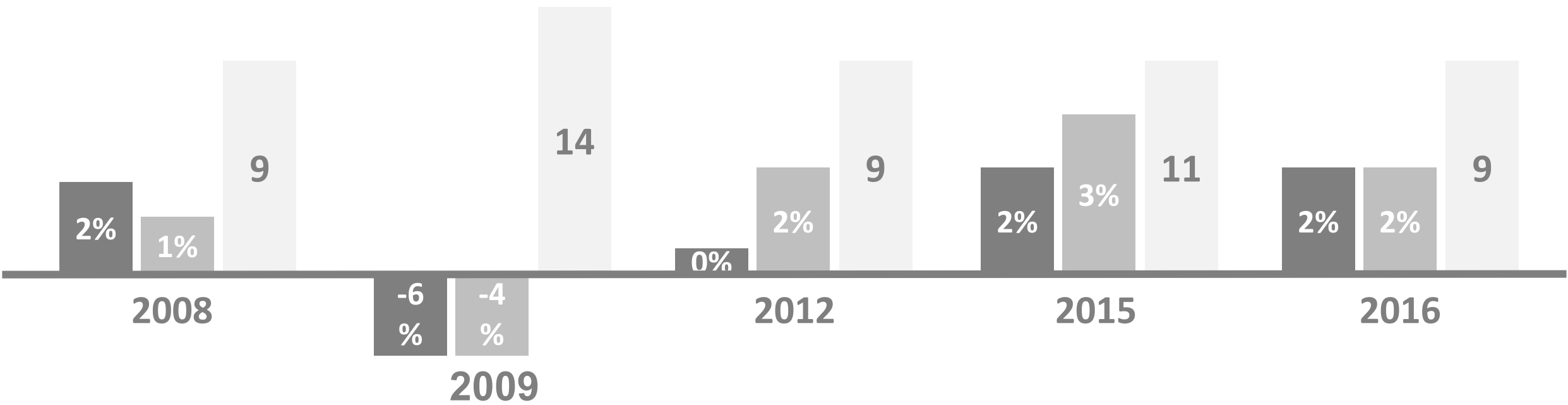
Annual US GDP Growth

% Loss Makers in Top 2000 Global Public Companies



Non-financial sectors have a very high company crisis rate even during economic prosperity.

Non-Financial Sectors



Annual EU GDP Growth
Annual US GDP Growth
% Loss Makers in Top 2000 Global Public Companies



Objectives of our Research

- 1. Find out how likely are companies from non-financial sectors to face crisis during economical prosperity**
- 2. Find out how likely companies from non-financial sectors to recover from a crisis.**



Scope of our Research

AV.consulting database of 10.000 largest public companies worldwide from financial and non-financial sectors

1200 largest public companies worldwide from non-finance sectors

By Size	Number
Sales >20 bn. USD	327
Sales >10; <20 bn. USD	374
Sales >5; <10 bn. USD	296
Sales <5 bn. USD	203
Total	1200

By Headquarter Region	Number
HQ in EMEA	309
HQ in America	467
HQ in ROW	424
Total	1200

By Sector	Number
Industry	683
Service	319
Trade	198
Total	1200



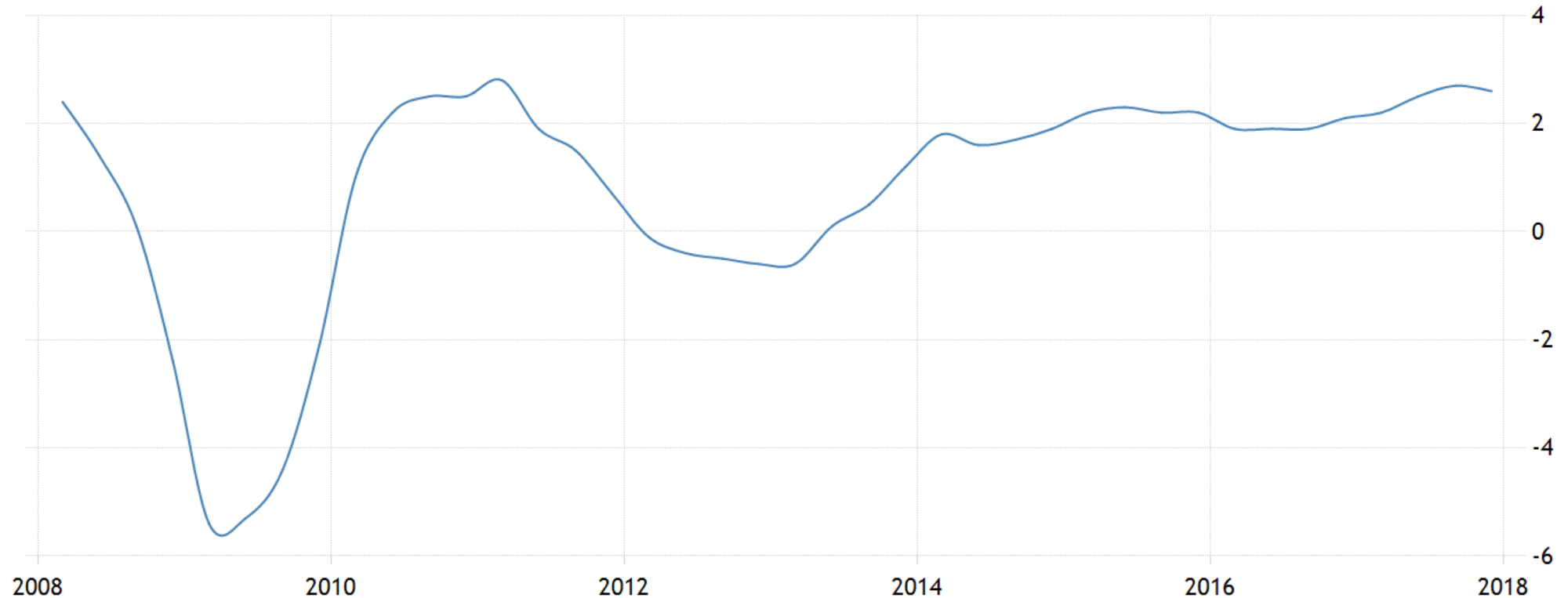
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2015 and 2016 were very stable years for the EU economy ...

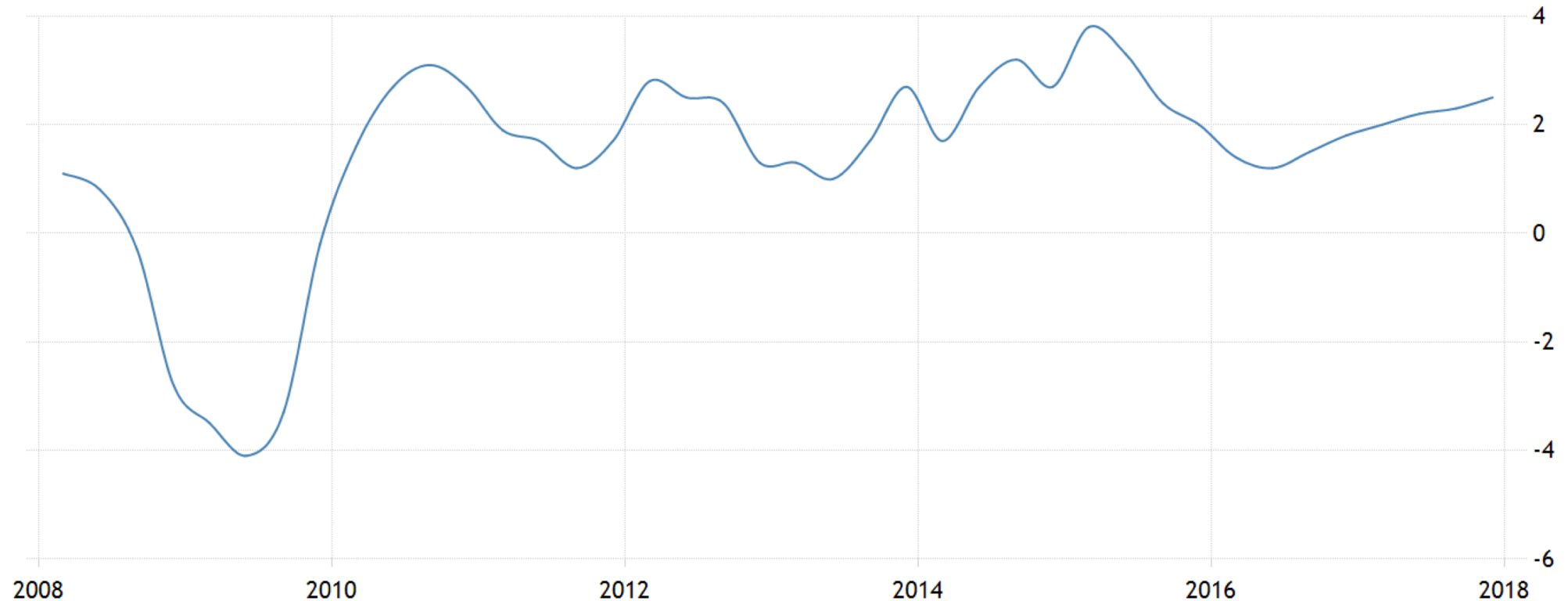
EUROPEAN UNION GDP ANNUAL GROWTH RATE





2015 and 2016 were also rather stable years for the US economy ...

US GDP ANNUAL GROWTH RATE







... However, 11% of all companies worldwide from non-financial sectors had a company crisis in 2015, 9% in 2016 and even 6% both in 2015 and 2016.

	Negative ROS	Positive ROS	Total number of companies in survey		Negative ROS	Positive ROS	Total number of companies in survey
Total 2015	131	1069	1200		11%	89%	100%
Total 2016	105	1095	1200		9%	91%	100%
Total 2015 & 2016	67	1133	1200		6%	94%	100%

Source: AV.consulting database of 1200 largest public companies worldwide from non-financial sectors




The company crisis rate was high across all global regions; it was relatively higher in America and EMEA.

	% companies with negative ROS in 2015	% companies with negative ROS in 2016	% companies with negative ROS in 2015 & 2016
HQ in EMEA 	12%	7%	6%
HQ in America 	12%	11%	7%
HQ in ROW	9%	7%	4%
Total	11%	9%	6%

Source: AV.consulting database of 1200 largest public companies worldwide from non-financial sectors



The company crisis rate was high across all size clusters; it was relatively smaller for companies with less than \$5B in sales.

	% companies with negative ROS in 2015	% companies with negative ROS in 2016	% companies with negative ROS in 2015 & 2016
Sales >20 bn. USD	11%	7%	6%
Sales >10; <20 bn. USD	11%	11%	6%
Sales >5; <10 bn. USD	14%	9%	6%
Sales <5 bn. USD 	6%	5%	4%
Total	11%	9%	6%

Source: AV.consulting database of 1200 largest public companies worldwide from non-financial sectors



**The company crisis rate was high across all sectors;
it was relatively higher in the trade sector.**

	% companies with negative ROS in 2015	% companies with negative ROS in 2016	% companies with negative ROS in 2015 & 2016
Industry	10%	8%	5%
Service	8%	7%	4%
Trade	18%	16%	11%
Total	11%	9%	6%


Source: AV.consulting database of 1200 largest public companies worldwide from non-financial sectors



How did the 2015 vintage of loss-making companies perform in 2016?



73% of crisis companies reduced their profits by more than 30% in 2016



	Negative ROS in 2015	Positive ROS in 2015	Total number of company in survey		Negative ROS in 2015	Positive ROS in 2015	Total number of company in survey
Profit growth >10%	25	446	471		19%	42%	39%
Profit growth >0%; <10%	0	183	183		0%	17%	15%
Profit growth >-30%; <0%	11	243	254		8%	23%	21%
Profit growth <-30%	95	197	292		73%	18%	24%
Total	131	1069	1200		100%	100%	100%

Profit growth = EBIT 2016 / EBIT 2016

Source: AV.consulting database of 1200 largest public companies worldwide from non-financial sectors



65% of all crisis companies reduced their sales in 2016

	Negative ROS in 2015	Positive ROS in 2015	Total number of company in survey		Negative ROS in 2015	Positive ROS in 2015	Total number of company in survey
Sales growth >10%	21	207	228		16%	19%	19%
Sales growth >0%; <10%	24	431	455		18%	40%	38%
Sales growth >-10%; <0%	28	312	340		21%	29%	28%
Sales growth <-10%	58	119	177		44%	11%	15%
Total	131	1069	1200		100%	100%	100%

Sales growth = Sales 2016 / Sales 2015

Source: AV.consulting database of 1200 largest public companies worldwide from non-financial sectors



31% of all crisis companies reduced their market capitalization in 2016

	Negative ROS in 2015	Positive ROS in 2015	Total number of company in survey		Negative ROS in 2015	Positive ROS in 2015	Total number of company in survey
MC growth >20%	60	288	348		46%	27%	29%
MC growth >0%; <20%	30	417	447		23%	39%	37%
MC growth >-10%; <0%	15	178	193		11%	17%	16%
MC growth <-10%	26	186	212		20%	17%	18%
Total	131	1069	1200		100%	100%	100%

MC growth = Market Capitalization 2016 / Market Capitalization 2015

Source: AV.consulting database of 1200 largest public companies worldwide from non-financial sectors



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There is a high probability that also your company faces crisis soon

% Loss Making Companies 2015 in All Companies

By Size	% of Cluster
Sales >20 bn. USD	11%
Sales >10; <20 bn. USD	11%
Sales >5; <10 bn. USD	14%
Sales <5 bn. USD	6%
Total Sample	11%

By Headquarter Region	% of Cluster
HQ in EMEA	12%
HQ in America	12%
HQ in ROW	9%
Total Sample	11%

By Sector	% of Cluster
Industry	10%
Service	8%
Trade	18%
Total	11%

Source: AV.consulting database of 1200 largest public companies worldwide from non-financial sectors



More than 80% of loss-making companies reduce their profits in the year after their loss

Structure of 2015 Loss Makers by Performance in 2016

By EBIT growth in 2016		By Sales growth in 2016		By Market Capitalization Growth in 2016	
	% of All Companies with Loss in 2015		% of All Companies with Loss in 2015		% of All Companies with Loss in 2015
Profit growth >10%	19%	Sales growth >10%	16%	MC growth >20%	46%
Profit growth >0%; <10%	0%	Sales growth >0%; <10%	18%	MC growth >0%; <20%	23%
Profit growth >-30%; <0%	8%	Sales growth >-10%; <0%	21%	MC growth >-10%; <0%	11%
Profit growth <-30%	73%	Sales growth <-10%	44%	MC growth <-10%	20%
Total	100%	Total	100%	Total	100%

Source: AV.consulting database of 1200 largest public companies worldwide from non-financial sectors



Lessons Learned

- 1. The most expensive practice is to postpone change management until your company faces losses.**
- 2. If you are anyway forced into reactive change management, mobilize your middle management for company-wide restructuring, including:**
 - Renegotiating your most important supplier contracts;**
 - Downsizing loss-making units;**
 - Optimizing sales with unprofitable customers or product segments;**
 - Reducing overhead cost.**
- 3. If you are still in good shape, start with proactive change management as soon as possible, including:**
 - Allocate resources to those product/market segments with the highest growth potential;**
 - Develop unique growth capabilities;**
 - Define initiatives such as digitalization, process reengineering or strategic purchasing to achieve competitive advantages;**
 - Measure and benchmark key activities to achieve world class performance.**



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Company Profile of AV.consulting

Our Story
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Our Story:

AV.consulting was established in 2015 by the Ingolstadt School of Management Professor Dr. Andrej Vizjak, a former PwC and A.T. Kearney senior consulting partner, and his wife Sonja Vizjak, with headquarters in Dubai.

AV.consulting offers clients online support in implementing the vision to “Be(come) The First in the World”.

This vision is based on our Success Formulas Methodology, which won the 2013 Global Advisory Challenge, a contest among 20.000 advisors from all continents. The award was presented by a jury, comprised of global advisory leaders at one of the “Big Four” professional services firms, which chose Success Formulas as the most influential new consulting methodology.

The Success Formulas Methodology draws on statistical evidence based on a sample of more than 10.000 companies over a period of 15 years. The theories underlying Success Formulas have been published in several books translated into 12 languages worldwide, including English, Chinese, German, Italian, Polish and Russian.

AV stands for Ars Vivendi: digital consulting enables a flexible work schedule, mobility and home-office work, and attracts creative world-class experts, who prefer a modern way of life.



Our Clients:

Our vision is to (Be)come the “First Digital Strategy Consultants” in the World.

Our value proposition:

- Convenience and price advantage of digital consulting
- Unique strategy methodology and a database of 10.000 companies covering 15 years
- Problem solutions, from analysis to implementation
- Long-term commitment to client results

The initial clients of AV.consulting in 2015 were:

- A Dubai-based financial institution
- An international telecoms operator based in GCC
- A global food-production company based in Switzerland
- A global pharmaceutical company based in Switzerland

All four clients have unique capabilities and global leadership positions.

AV.consulting has since served more and more clients around the globe to (Be)come The First in the World.



Our Services:

Reactive change management support:

- Renegotiating your most important supplier contracts;
- Downsizing loss-making units;
- Optimizing sales with unprofitable customers or product segments;
- Reducing overhead cost.

Proactive change management support:

- Allocating resources to those product/market segments with the highest growth potential;
- Developing unique growth capabilities;
- Defining initiatives such as digitalization, process reengineering, strategic purchasing;
- Measuring and benchmarking key activities to achieve world class performance.

Appointing Andrej Vizjak as a non-executive Chairman to the board

- Coaching the incumbent CEO;
- Guiding the new CEO during transition.



Curriculum Vitae of Andrej Vizjak, the Founder and CEO of AV.consulting

Andrej Vizjak was born on May 9, 1965 in Ljubljana. Several times in his career, he has achieved world-class distinction. He completed his studies at the Economic Faculty in Ljubljana in record time and obtained his PhD at Munich University, Germany, at the young age of 24. His doctoral research was on strategic planning – today in this field, he is recognized as one of the most recognized experts globally.

Two years before graduation, he had already embarked on his consulting career, first in cooperation with McKinsey & Co and later at A.T. Kearney, where he was elected Principal in 1994 and Vice President in 2000. Afterwards, he achieved the leading market share in his South East European region. He was simultaneously studying at the Harvard Business School and appointed Professor at the Ingolstadt School of Management in Germany. As a board member and long-term consultant, he supported the development and implementation of Gorenje's vision to become the world's most design-driven innovator of home appliances.

He is the author of 25 books, published by globally leading houses and translated into 12 languages. With his Success Formulas methodology, he won the 2013 Global Advisory Challenge, a competition for the most influential consulting concept in the world.

Andrej Vizjak has leadership experience at the highest management level in multinational companies exceeding annual sales of \$10 billion. He served as Executive Vice President of the Bertelsmann media company during 1995–2000, when it became the largest book publisher in the world. He was a Senior Partner and Chief Innovation Officer for Central and Eastern Europe of PwC during 2010–2015, when it was the largest advisory company in the world.

In 2015, he founded, together with his wife Sonja Vizjak, the Dubai-based company AV.consulting, with the vision to create the first digital consulting company. Now he is advising other companies on how to be(come) the first in the world.



Selected consulting projects of Andrej Vizjak

Global clients:

Deutsche Telekom Group, a leading global telecom operator

Bertelsmann Group, a leading global media company

Novartis, a leading global pharmaceutical company

Hipp, a leading global baby food producer

Gorenje, a leading global producer of household appliances

Nice Label, a leading global marking and labeling software company

Regional companies:

Studio Moderna, a leading regional teleshopping company in Central and Eastern Europe

Gebrüder Peters, a leading local facility service company in Bavaria, Germany

MDM, a leading regional steel distributor in South East Europe

Jamnik, a small regional niche packaging company in Central Europe

Royal Vision Group, a leading local financial institution in the Middle East

Ooredoo, a leading regional telecom operator in the Middle East



Our Global Footprint:



Austria



Australia



Albania



BiH



Bulgaria



China



Costa Rica



Croatia



Czech
Republic



Germany



India



Italy



Kosovo



Malaysia



Montenegro



Poland



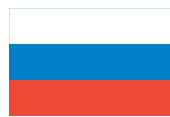
Qatar



Republic of
South Africa



Romania



Russia



Serbia



Singapore



Slovenia



Switzerland



UAE



UK



USA



Our Publications:

AV.consulting Research Papers

The Effectiveness of Changing the CEO

The Effectiveness of Crisis Management

The Effectiveness of Managing Growth

The Effectiveness of Family Owned Companies

Lessons Learned from Top Performing Industries

Lessons Learned from Global Industry Concentration

Books by Andrej Vizjak:

Be(come) The First in the World (2017, available on www.andrejvizjak.com)

Success Formulas for the New Decade (2011)

Competing Against Scale (2008)

Books co-authored by Andrej Vizjak:

Innovation Excellence in Central and Eastern Europe – a PwC Experience (Wiley Zurich, 2012)

Beating the Global Consolidation Endgame (McGraw Hill New York, 2008)

Media Management (Springer New York, 2003, 2010, 2013)

ANDREJ VIZJAK

Be(come) The First in the World



GV
ZALOŽBA

KUBENA
OKES-VOYSEY
VIZJAK

MIKE KUBENA · MARK OKES-VOYSEY · ANDREJ VIZJAK

INNOVATION EXCELLENCE IN CENTRAL & EASTERN EUROPE

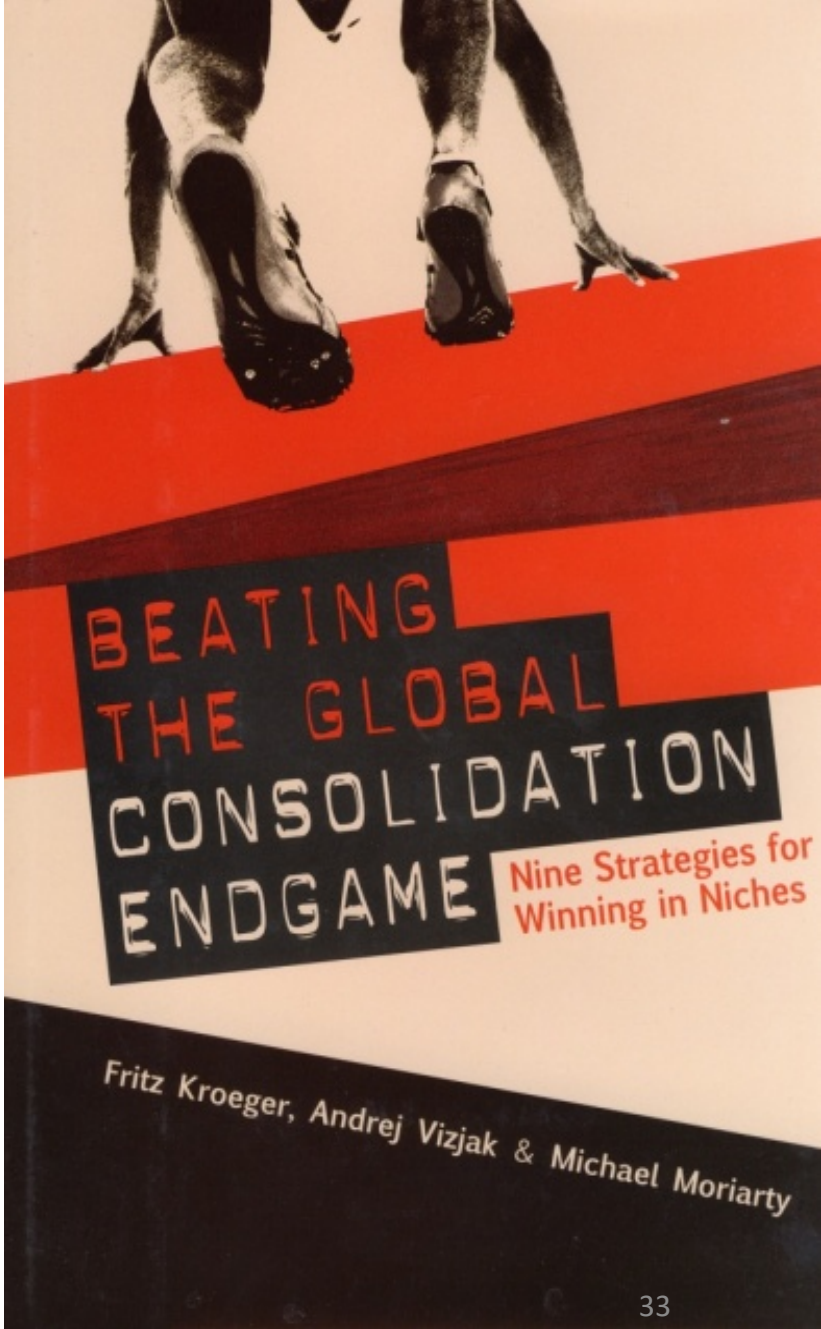
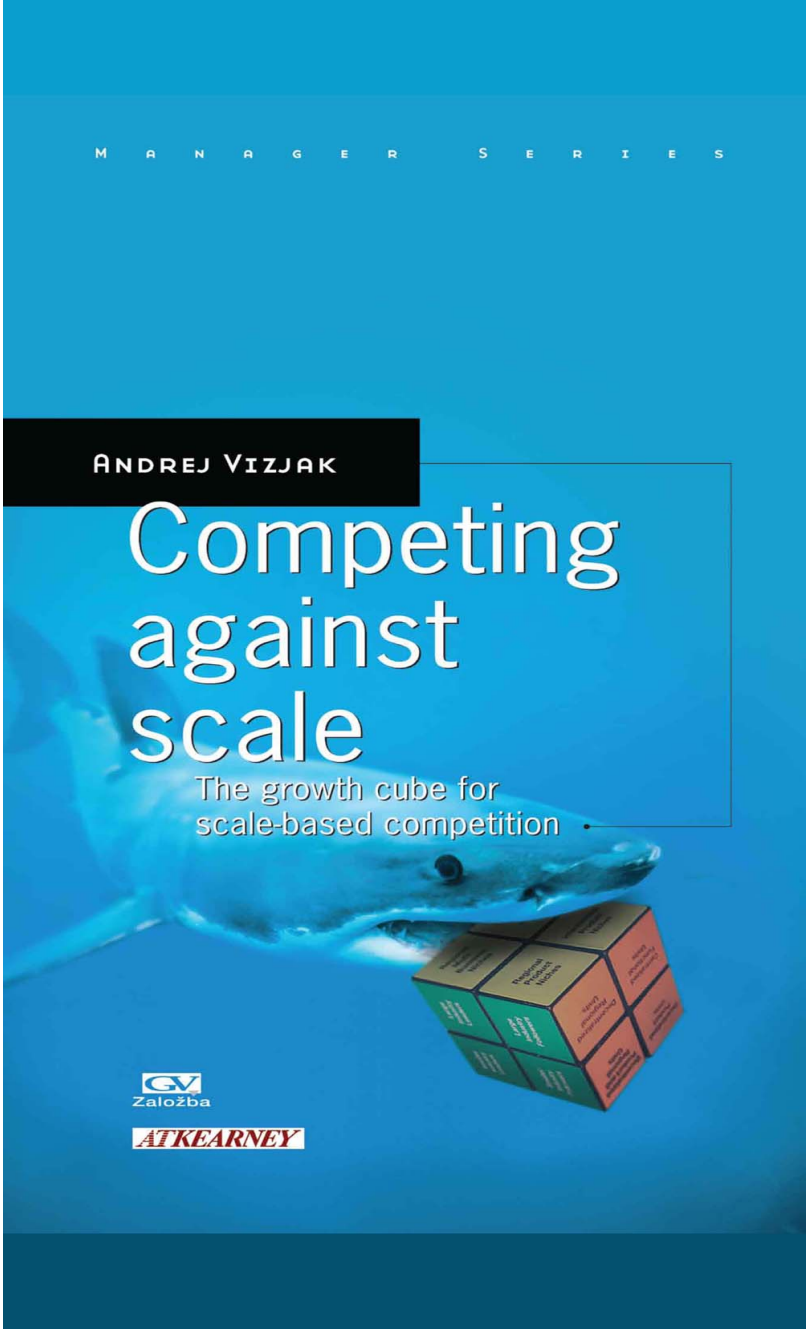
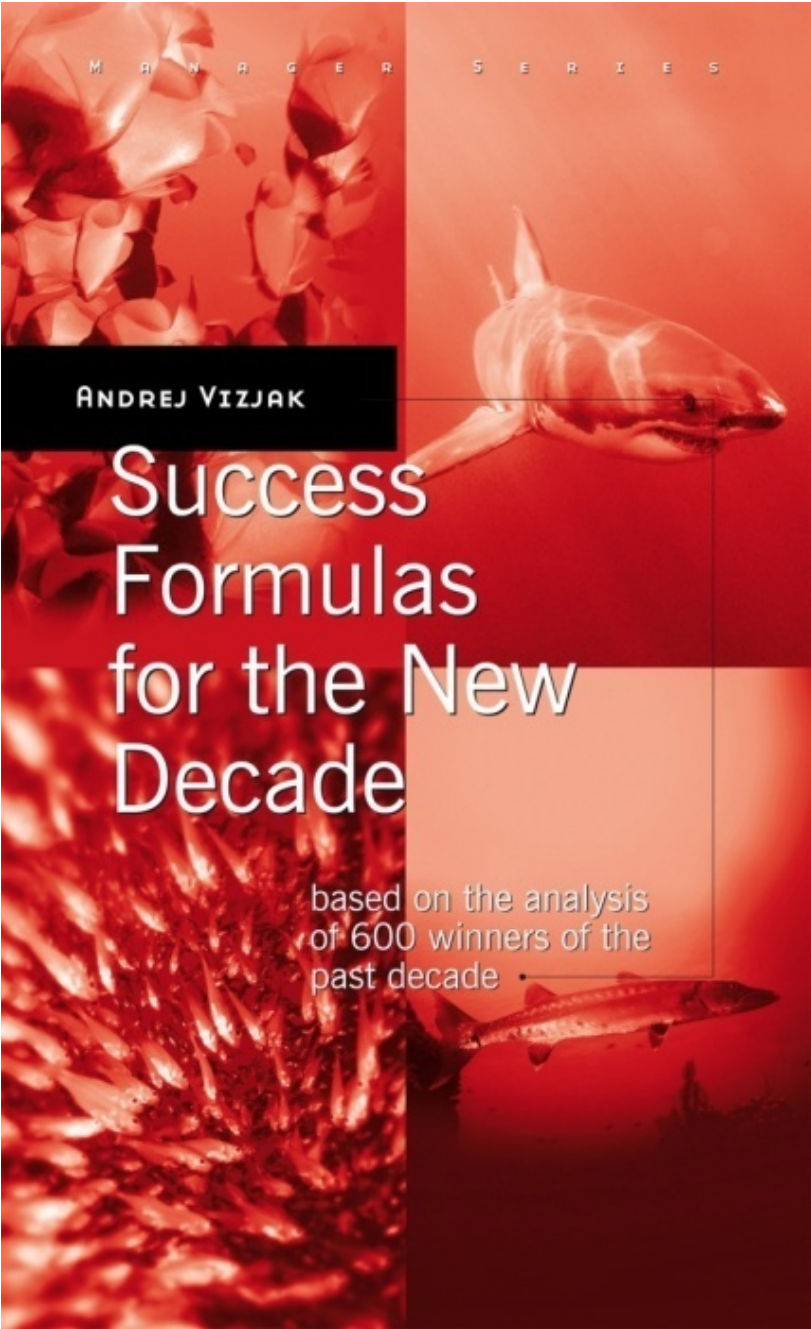
INNOVATION EXCELLENCE IN CENTRAL & EASTERN EUROPE

A PWC EXPERIENCE


WILEY

 WILEY

The PwC Wheel of Innovation Excellence comprises what innovation is all about and it can be used to systematically strengthen your company's power to innovate and, furthermore, speed up the process. Innovation excellence starts with setting a clear direction for the company and respective follow-up actions. All companies have individual DNA and can be categorized into four winner types. They all have an equal chance of being successful. Each type requires different approaches to follow the Wheel and needs different strategies to become sustainable. PwC's Success Formulas will help you make the right strategic decisions. After defining your own growth path the innovation concept develops concrete innovation strategies and processes as a framework, which puts innovation forward. The journey from trends and ideas to products has to be managed. Innovation today, due to the increasing importance of time-to-market, involves many people – inside and outside the company. Collaboration is necessary to identify breakthrough ideas within your overall network, which must comprise innovative people who are motivated by the rewards that will come with a successful product launch. Developing and assigning key talent for innovation teams becomes even more critical in times of perceived talent shortages. But employees alone – even if they are highly motivated – are not enough. The drive for innovation must come from top management through their support of a culture that is open to new ideas and systematic in its approach to delivering innovations. Creative leadership is necessary to foster innovativeness. Companies in CEE have great chances to outperform their Western counterparts or competitors through innovation because they are just at the beginning of a free market economy. Their newly appointed structures are less worn and decrepit as in many Western companies. However, there is still a long and rocky way to go. Several steps are necessary for a company to become a winner by innovation.





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