

Building a Bridge into the Future: How Corporate Development brings critical elements together for future design and planning

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Often, Corporate Development is seen as a synonym for large Corporation's Merger & Acquisition departments or groups of restless buyer and seller of organizations. But is this the full reflection of the role?

We at ALTIX Consulting believe, that the function of Corporate Development in an organization is much broader than this. Supporting the CEO or business owner to develop a competitive business strategy, driving growth via transformation or restructuring and establishing strategic partnerships are equally important and key activities of the Corporate Development function.

Over the last five years, the CD role has shifted from a pure M&A deal management towards creating opportunities to leverage the organizational assets and generate sustainable value. In a 2015 Corporate Development Study by Ernst & Young, it was projected, that within the next 5 years, the role of Corporate development expands to what we see today.

Generating Growth – and what is currently pulling us back.

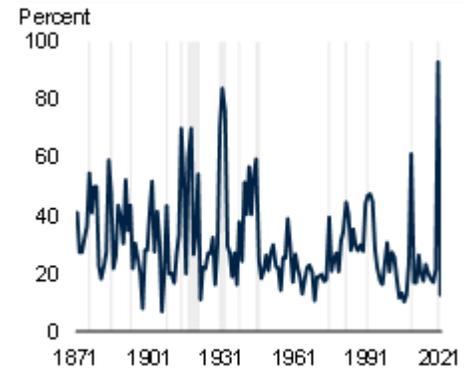
The past 6 months are exceptional in so many ways, and we have not seen this level of distraction, change and uncertainty over the past 8 decades. A globalized supply chain came literally to a full stop, the trust in nearly unlimited resources broke, and we had to learn, that doing business as usual will not work anymore for many organizations.

Key industry segments like Automotive, Aerospace, and other high specialized industry production went sharply down within weeks and customer demand stalled. During the same period, some industries faced a significant increase in demand and had limited time to react and adjust towards these needs. Though opposite in effect and result, any organization needs to take the right economical decision for its current and future financial health and sustainability.

The lasting impact of the drastic and large-scale changes since the beginning of the year can be found in a significant change in market dynamics, re-thinking of the geographical footprint, and geopolitical and free trade assumptions. All these are key influences on current strategies and challenge their future success.

Next to foreseeable global business changes and the contest of established go-to-market and sourcing strategies, the impact of the last 6 months can be also identified inside the organizations. Processes need to be in line with new and strict health guidelines, workforce needs to adjust to new, often remote collaboration forms. Organizational and IT structures must be aligned to the new normal. Financial acumen and strict balance sheet and cash management are key trades to secure the business.

Figure 1.1.F. Share of economies in recession, 1871-2021



Source: World Bank.
Note: Share of economies in recession, defined as an annual contraction in per capita GDP.

A strong felt responsibility for associates and their health and financial security during the crisis, but even more for the future, challenges middle-market companies significantly and makes headcount decisions complex and tough. Well-trained associates with specialized knowledge are not easy to find in today's labor market but key to a fast recovery.

A global structure, with entities on different continents, facing different legislation, governmental and health department guidelines, and different economic recovery rates are bringing an additional level of complexity and burden to the organization. The available senior management resources are limited and have therefore a high chance to restrict or constrain the organizational response.

What needs to be secured – why do we need Growth?

Growth is the fuel, that keeps the business going. Growth generates the funds to develop the next generation of products (or services), it helps to build, grow, and maintain well-trained associates, and ultimately it secures the income for its shareholder. But it also serves in a bigger context. Middle-market organizations are key contributors to the growth and wealth in their respective communities, indirectly via the associates and directly by demonstrating a high level of social responsibility.

What is needed for Growth – How can Corporate Development deliver success?

Top and Bottom line focus, operational excellence and cost cutting are the standard tool sets of an organizational leader, CEO or Owner of a family business. And they have been already in the spotlight long before COVID-19. So, what is different now? While cost cutting is necessary, it will not be enough. Leaders also have to pivot value propositions and business models, figure out ways to grow and identify new sources of revenue to find their place in the future. This involves cutting costs in a way that does not harm the business, while redirecting costs to the drivers of growth: the capabilities that differentiate a company.

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

Three areas are key to this success:

1. **Defining and rightsizing the organizational structure and creating a growth culture**
2. **Setting a clear strategy – knowing what is right today and tomorrow**
3. **Building and sustaining competencies and capabilities**

Now is the right time to assess the new business world and its different opportunities. Re-think the go-to-market strategy in an innovative way. Engaging highly qualified advisors from Altix will help middle-market organizations to quickly generate sustainable and transferable success without the need to build-up internal expertise or bind resource.

ABOUT THORSTEN SCHROEDER:

[Thorsten](#) brings more than 25 years' experience working as a senior management executive for large and midsize companies. Thorsten lead and implemented strategic initiatives, efficiency improvements, SG&A management, and commercial excellence with privately held, public and private equity ownerships. Thorsten.Schroeder@altixconsulting.com

ABOUT ALTIX:

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