

Diehl Metering

Press release, 2022.09.01

## Bouncing back stronger: How to create a resilient business in the face of adversity



**With no sign of the components and raw material shortage returning to pre-COVID normality anytime soon, it's never been more important for companies to build resiliency. Christof Bosbach, Member of the Executive Board at Diehl Group, outlines what this means in practice.**

*Dr Christof Bosbach, CEO and Member of the Executive Board at Diehl Group*

*Credit: Harry\_Bellach*

Over the course of the last few years, we've seen a record-breaking number of black swan events that have shaken supply chains the world over.

"Black swan events are typically rare – they are supposed to happen once every 30 to 50 years or so," says Christof Bosbach, Member of the Executive Board at Diehl Group. "But, in the last two years alone – against the backdrop of a global pandemic unlike anything we have seen in our lifetimes – we've seen a raft of crises. There's the war between Russia and Ukraine, and the resulting impact on energy and inflation. Then there's the ongoing shutdown of manufacturing hubs in China such as Shanghai and Zhejiang, along with the growing unrest between China and the USA.

The impact of all of this has been huge. Price hikes, supply chain disruption and trade wars between continents have led to a global components and raw materials shortage, with far-reaching consequences. In fact, 94% of Fortune 1000 companies have seen supply chain disruptions from Covid-19, and 75% of companies have felt negative or strongly negative impacts on their business due to supply chain disruption. As a result, the inventory-to-sales ratio, an often-cited measure of supply chain agility, has fallen by more than 11% since February 2020, according to the US Census Bureau. This is its lowest level in more than nine years.

"It is a crippling scenario for many companies," says Bosbach. "The microchip shortage, in particular, has meant some firms simply had to shut down their production lines. Imagine manufacturing a product with 1,000 components from all over the world, but being unable to get hold of the one final, yet crucial, component – the microchip. It's devastating. As well as having to manage customer expectations, these companies need to keep hold of their stock, and they need to keep paying the staff so that they can be up and running again as soon as the chips are available. Some customers run afoul of the law because they can no longer meet calibration and replacement deadlines. Many others are losing huge amounts of money while they wait."

How long they will have to wait is yet to be determined. "At first we expected the raw material shortage to last around six months," says Bosbach. "But that turned out to be incredibly optimistic. At the end of 2021, it was predicted that it would be over by mid-2022. And now the CEO of Intel has predicted that – at least for some components – the shortage will last well into 2024."

Clearly, companies cannot afford to tread water while this crisis plays out. "The way companies react is key to their success or failure both now and in the future," says Bosbach, who believes that there is one word to describe those firms that cope well: resiliency.

"Resiliency has never been more important," he explains. "Those companies that create a resilient business will rebound from the current crises faster and stronger than the rest." But what does a resilient business look like? According to McKinsey, [92%](#) of supply chain leaders say they have improved resilience through physical changes to their supply chain footprints.

In practice, this has meant increasing inventories of critical products, as well as regionalization. In fact, a massive 90% of firms say they expect to pursue some degree of regionalization by 2024.

"There's still a serious shipping container shortage, and air freight is proving increasingly expensive," says Bosbach. "And this is just the current situation. While the freight situation will calm down in the medium term, we must prepare for the next event. Uğur Şahin, the CEO at Biontech, predicts a resurgence of the COVID virus, and at frighteningly fast levels. With that in mind, we can't rule out more lockdowns in the future. Against this backdrop, regionalization makes sense. We are seeing something of a deglobalization of markets."

Resilience also requires agility. "Today's market is volatile, uncertain, complex, and ambiguous," says Bosbach. "Companies that do well are those that think outside the box. They realize that, although they may not be able to predict the future, they can achieve the agility they need to respond fast in the most unthinkable of circumstances. They are true innovators."

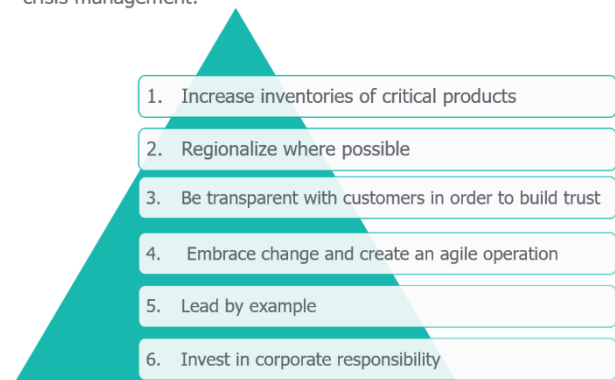
Bosbach is quick to note just how important strong leadership is here. "During any period of economic turmoil, it's important to stay calm," he says. "This requires what [Harvard Business Review](#) refers to as 'personal resilience' – and that relies on psychological stamina. Business leaders need a clear purpose and they need to communicate that to both employees and customers with transparency so that they build trust."

Ultimately, however, Bosbach says that resiliency depends on sustainable growth through corporate responsibility – an area that he believes that Diehl Metering is particularly competent in.

"For example, despite the components shortage, we will not source an irresponsible supplier or relocate at will, although there are always aggressive offers from their side," Bosbach explains. "All of our business is conducted in line with our commitment to the UN Global Compact, in accordance with our customer commitments. It's this that sets us apart, and is what will keep us going long into the future, whatever that future may look like."

### 6 practical steps to effective crisis management

Bosbach believes there are five steps necessary for effective crisis management:



### About Diehl Metering

Diehl Metering is a worldwide leader in the design, manufacture and supply of smart metering solutions and related services. We empower utilities, municipalities and industries to unlock new efficiencies in their water and energy networks by delivering on-the-ground expertise, data-driven insights and technological innovation. In so doing, we enable them to use the planet's natural resources more responsibly, promoting their own long-term growth while contributing to a more sustainable future for all.

Within our sector, we are a pioneer in radio communication technology and actively involved in furthering the potential of IoT. By developing new standards to strengthen interoperability and extend connectivity, we create opportunities for our customers to boost their performance and save costs.

Through our technical consulting services, we act as a strategic partner to our customers, guiding them in digitalization to optimize every aspect of their operations. And through our flexible software and digital tools, we empower them with data analytics and artificial intelligence so they can anticipate consumer demand and prepare for the unexpected.

Founded over 150 years ago, we are a family-owned business with headquarters in Germany and an international reach. We are proud to maintain our founding principles of quality, reliability and customer proximity while proactively shaping a better future for our customers and the communities they serve. Our approach is to think global and act local. By predicting trends and remaining agile, we adapt and develop our strategy with our customers and for them.

Further information at [www.diehl.com/metering](http://www.diehl.com/metering)