Decarbonization commitments, flexible portfolio restructuring

To thrive throughout the energy transition, companies will look to draw closer to end customers and incorporate convenience as key to the customer experience.

Energy transition alliances

Companies will need to monitor their future capabilities, investments and acquisitions related to new energy era.

Sustainability-aligned deal volume

A combination of supply constraints and geopolitical tension has resulted in energy price increases and is putting pressure on operating models that had become lean in recent years offset with low prices.

Increased demand and constrained supply are driving changes

Aerospace and Defense M&A activity is anticipated to increase amid ongoing geopolitical tensions. To remain competitive, manufacturing companies might add digital capabilities.

Importance of customer-centricity will increase

Forces shaping ‘new normal’ conditions

Increased demand and constrained supply are driving changes

- A combination of supply constraints and geopolitical tension has resulted in energy price increases and is putting pressure on operating models that had become lean in recent years offset with low prices.

Active portfolio monitoring

- Companies will need to monitor their portfolios to avoid carrying stranded assets and avoid unnecessary divestment of assets that may prove profitable in other supply/demand environments.

Short-term responses

1. Portfolio restructuring to drive energy transition
   Companies are fundamentally rethinking their portfolio, seeking to diversify higher carbon-intense assets, pursuing acreage consolidation, and acquiring assets aligned to the energy transition.

2. Investments to build future capabilities
   Companies could use the current high energy prices to make significant investments and acquisitions related to digitization and integrated value chain driving new revenue streams.

Medium-term responses

1. Energy transition alliances
   The energy transition is attracting investments from nontraditional competitors in other sectors, as well as private capital. Companies should consider cross-sector alliances with companies in automotive, technology, and other sectors to gain direct access to customers and explore new revenue models.

2. Sustainability-aligned growth segments
   Companies should actively seek opportunities which they can leverage existing expertise in advanced plastics recycling, and others, in which they can leverage existing expertise such as research and development and customer networks.
Industrials

Forces shaping ‘new normal’ conditions

Technology is driving industrial connectivity
- Advancements in the Industrial Internet of Things (IIoT) and digital twin technology are driving significant innovation in solutions and business models.

Digital solutions will lead to workforce evolution
- Digital-first solutions will affect the skill sets required from the workforce.
- Industrial companies will compete with tech firms for talent, while simultaneously upskilling their current workforce.

Supply chain disruption is affecting production times
- Long lead times for critical components are creating uncertainty in production planning and forecasting.
- Delays in manufacturing and port congestion will drive companies to identify resilient solutions for supply networks.

ESG pressures will continue to grow
- Stakeholders will increasingly call for ESG commitments.
- Creating the factory of the future through smart technology and green energy will remain in focus.

Rising raw material costs are affecting margins
- Shortage of supply along with increases in raw material costs and shipping rates have created pricing pressures.
- Unless contained, these cost rises threaten to outstrip the productivity gains and could significantly affect profit margins.

Short-term responses
1. Strengthening of value chain
Acquisitions and investments related to vertical integration could help companies secure long-term suppliers and mitigate supply chain disruptions.

2. Shifts in core competencies
The inevitable shift toward sustainable processes and products is likely to affect the core competencies of many companies, and they should drive this change through targeted acquisitions.

Medium-term responses
3. Technology alliances
Industrial companies should consider alliances with the technology sector to boost innovation and leverage specialist digital skills expertise.

4. Investing in disruptive technologies
Industrial companies should consider growth acquisitions in focused areas such as IIoT, robotics, automation, digital twin, and AI to drive long-term transformation.