



## ITALY

# ≡ RIDING THE WAVE OF INNOVATION

Three examples of transformation pioneers in Italy

By Andrea Montermini, Vice President

**A**fter the Covid slump, Italy's economy had taken off again. The war in Europe has not only put the brakes on this development but is now even threatening a serious setback for the country. Similar to other European countries, weaknesses in the supply side in particular are becoming apparent. For example, Italy is heavily dependent on gas, more than 90% is imported. This is now becoming an incalculable risk for companies that have been struggling with high electricity costs for decades. As it is causing losses, some foundries and steel companies have already temporarily stopped their production.

It may be that many Italian companies are now preparing for rather gloomy scenarios. However, they should not ignore their strengths – in particular, the resilience, flexibility and innovativeness of the local economy have repeatedly proven to be strong assets in overcoming crises. This is due to the fact that an ecosystem of lively, growth-oriented small and medium-sized enterprises has always been an integral part of the Italian economy.

In the last decade, those players proved that they are willing and able to approach transformational phases as a good time to leverage

finance better, to acquire other companies and to become bigger and faster. What's more, to become more robust for classic challenges like internationalization. As a result,

Italy's small and medium-sized enterprises tackle transformational phases as a moment to growth.

the need for consulting services is increasing, across a very broad range of topics: with our clients, we work from strategy to due diligence,



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all through the value chain from product development down to sales. Furthermore, this is closely connected with sustainability, change management and digitalization. In terms of sustainability, we observe two styles: some companies still see this as a challenge to address some form of additional constraints, then some other are really taking this as an opportunity for innovating the business model and the relationship with the clients and other stakeholders.

Since the challenges are so different, there is no existing "typical" consulting project. Industry-independent can be in focus to become (even) leaner, to modify the business model or to differentiate into new market segments. There are different dynamics sector to sector in this respect, so let's point out three whose transformation is particularly interesting and significant for the Italian economy.

#### **Automotive: balancing act between change and cost cutting**

Every player in the automotive ecosystem is facing the same major challenges. On one hand, electrification heralds the end of the classic drive variants. On the other hand, it's about managing the continuous pressure to reduce costs across all operations areas. These money and resources are necessary to invest into electrification and new playing fields. So, it's even more challenging for companies in tier one and tier two, for instance, in the mechanical or power train part of the automotive to on one end, transform the business and on the other end, to continue cutting costs. This is happening in other sectors like aerospace as well. However, there are exceptions: premium luxury brands are doing extremely good, electromobility is at best a side issue in the niche of classic, high-priced Italian supercars, and global demand for limited-edition models with a high profit margin for the manufacturer remains high.

#### **Private Equity: high willingness to invest substantial funds**

Secondly, there's been a great acceleration on the dynamics from private equity. Because during the last years, there has been an increase in cash availability for investors – money that has not

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been used because of the downturn of the market and the pandemic. So now, there is an accelerated dynamic of PE companies to invest in multi opportunities of the Italian market. We currently see this dynamic happening for both:

PE focusing on companies in the need of financial and



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**ROI-EFESO clients: our consulting focus in Italy**

- Luxury brands in the automotive industry are key clients, current projects are focussed on topics like sustainability, supply chain and risk management.
- Supporting M&A processes and turnaround's – in the last four years, there has been an increase in cash availability for investors, cash that was not used there because of the downturn of the market and the pandemic. This was pushing an accelerated dynamic in M&A.
- Digitalization and manufacturing transformation are core topics of our clients in the pharma industry, e.g. supporting capture of new performance levels.

**ROI-EFESO reference project from Italy:  
Future Factory for a luxury carmaker**

The client is a leading global manufacturer of luxury sports cars, known worldwide for the prestigiousness of its brand and for the performance and design of its vehicles.

**Challenge**

Following their recent commercial growth, the company decided to develop a new industrial plan including the development of a new paint-shop, assembly, and logistics. We were asked to support the definition of the new concept being state-of-the-art for process agility and effectiveness, with applications of the most successful Industry 4.0 concepts and fully digital.

**Results**

Together with the client, we ...

- developed a collection of relevant use cases for the assembly and logistics of the future, feeding co-creation workshops where the "Factory of the Future" concept was defined.
- developed the high-level design for assembly and logistics, ensuring effectiveness and efficiency in future plant steering.
- defined a digital operations target picture based on company strategy and business requirements, and drafted a comprehensive roadmap to achieve it by means of a consistent portfolio of digital and IT projects.



Find more ROI-EFESO case studies here:

operational restructuring, and for PE focusing on growth potential of companies in good shape.

A common pattern is to unlock value and improve EBITDA through operational levers. And this is where ROI-EFESO comes into play.

**Pharma: small companies on course for growth**

Italy's pharma sector has been able to establish a greater number of companies with their own products, after years, where it was more focusing on private labeling and processing, producing products for others in the global pharma market. This companies could continue to be into a low margin business, while smaller companies with specific products and API's have been progressing and earned money they can invest. So, there's a clear transformation to a product focused business, driven by know-how and intellectual property, that in top performing

companies is currently backed up by a stronger focus on operational improvement and digitalization.

Of course, besides those sectors there are and will be much more challenges. But as mentioned, there are many good reasons for an optimistic perception of Italy's economic future. The toolkit of methods and technologies to be more resilient and flexible to adapt to changes is well prepared at our side – now let's see it in action.