

# The quadruple threat:

## Mapping recovery and renewal in automotive

Before COVID-19 upended global economies, research from Baker McKenzie highlighted significant areas of disruption in the automotive sector and raised concerns for growth. Now facing a long journey to recovery and renewal in the wake of the global pandemic, automakers must look forward with even greater determination — building bold new strategies in relation to technology, supply chain, talent and sustainable growth. The key question for sector leaders today is how COVID-19 will alter the impact of the disruptive forces already challenging the industry and how they can weather the change.

Cost, capital and complexity are cited among the top barriers automotive companies must overcome to thrive through business disruption. However, they must also navigate systemic challenges that threaten to hold back transformation and growth.

### A new competitive landscape

Automotive leaders are hyper-aware of shifts in their competitive landscape and the need to build new technology as they pivot to mobility.



82% of automotive companies acknowledge that they are operating in a new field of tech-first players.



78% are pursuing M&A strategies to defend against competition and bring innovation in-house.



Investing in early stage companies is also a popular strategy for 67% of automakers.

### The race to identify new suppliers

The sector is facing unprecedented disruption to trade, goods and distribution.



86% of industry leaders have reviewed their entire supply chain ecosystem in response to trade disruption.



Over half (55%) admit that their current ecosystem is no longer fit for purpose.



61% are actively seeking out new partners.

### Flexing the workforce

Automotive companies have identified critical talent gaps that could impact recovery.



73% of automotive leaders agree that their workforce was built to service assets not digital platforms and systems.



80% believe that growth in the sector will rely on attracting key talent from tech into industrials.



89% say the industry needs more innovators in order to grow.

### Embedding sustainable practices

Sector leaders believe new regulation is inevitable but could struggle to comply.



86% believe that significant new ESG regulations will soon come into force.



85% report that their existing structure and business model is a barrier to change in this regard.



91% of automotive leaders state that their company's sustainability strategy supports growth as well as compliance.

### Positioning for recovery and renewal

High performing Industrial companies are positioning themselves to transform, despite the significant barriers to overcome. The Baker McKenzie [Industrial Change Barometer](#) weighs five dimensions of change readiness to help companies understand how prepared they are to thrive through disruption. Automotive companies put in a relatively low performance overall — with no top ranking in any dimension. While the sector's highest ranking indicates that leaders have a mandate for bold action, a sixth place ranking for change-positive culture suggests that poor alignment between international stakeholders may hold back progress.

Read the full Back to the Future report [here](#).

### About the research

700 interviews independent interviews conducted with Chief Executives, Chief Strategy Officers and Company Directors operating in North America, Europe, Asia Pacific and Latin America, including 100 representatives of the automotive sector. Baker McKenzie analysis.