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OPERATIONAL OPTIMISATION

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Contributors

Nick Easen
Award-winning writer and broadcaster, he covers science, tech, economics and business, producing content for *BBC World News*, *CNN* and *Time* magazine.

Mark Hillsdon
Contributor to titles such as *The Guardian* and *BBC Countryfile*, he writes on topics including sustainability, wildlife, health and sport.

Rebecca Stewart
Business writer, she covers media, technology and advertising as a senior reporter at *The Drum*.

Cath Everett
Journalist specialising in workplace, leadership and organisational culture, she also writes about the impact of technology on business and society.

Oliver Pickup
Award-winning journalist, he specialises in technology, business and sport, and contributes to a wide range of publications.

Heidi Vella
Energy and technology writer, she writes for several consumer and specialist magazines, including *E&T Magazine* and *Global Data*.

raconteur reports

Publishing manager
Izzy Jamous

Associate editor
Peter Archer

Deputy editor
Francesca Cassidy

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Art director
Joanna Bird

Design director
Tim Whitlock

OVERWORK

Why overtime is killing your productivity

With less than a third of the average employee's time spent on their actual role, companies need to reassess inefficient processes to unlock their workforce's true capabilities

Cath Everett

Work about work is a relatively little-known term in the corporate world, but too much of it can have a big impact on organisations globally.

Such work about work consists of the bureaucratic tasks required to get the real work done and includes searching for documents, responding to emails and managing changing priorities.

But the *Anatomy of Work Index*, conducted among more than 10,000 people around the world by team-based work management platform provider Asana, has revealed the average knowledge worker spends about 60 per cent of their time on mundane duties that add little real value, rather than focusing on meaningful activities to inspire and energise them.

Fabrizio Verrecchia /unsplash

Indeed, over the course of a year, these workers spend 103 hours in unnecessary meetings, which comprise 61 per cent of the total. A further 209 hours are lost on duplicated work and another 352 on discussing tasks.

Unsurprisingly then, only 27 per cent of the average employee's time is dedicated to the job they were hired to do, while the remaining 13 per cent is focused on strategic planning and forward-looking analysis.

But this unintended focus on mundane tasks has a number of knock-on effects, none of which are positive. Firstly, it has a negative effect on staff productivity. Because of the volume of tasks most knowledge workers have to deal with, a huge 88 per cent acknowledge that projects have been delayed and deadlines missed as a result.

Secondly, when looking at the issue from an employee wellbeing perspective, this situation all too often means that people end up having to work long hours to keep on top of things. But such an energy-sapping scenario has inevitable repercussions on their physical and mental health, and is therefore unsustainable in the long run.

For example, a previous Asana study among 6,000 knowledge workers in Australia, America and the UK found that four out of five felt close to burnout, with an unbalanced workload being the primary source of stress for a quarter of respondents.

As Josh Zerkel, Asana's head of global community, says: "Working on lower-value tasks that keep employees from going home or switching off naturally has an impact and can reduce engagement, motivation and happiness. The combination of feeling overworked and then wasting time on avoidable tasks creates a perfect storm for many knowledge workers, eventually resulting in burnout."

But there are various small changes that every organisation can introduce to help boost employee wellbeing. Asana, for instance, has introduced No Meetings Wednesday to free up time for staff to focus on the work that adds real value. It also encourages managers to explore different approaches to the traditional, formal thirty-minute get-together, which includes having team members prepare for swift ten-minute brainstorms or walking meetings.

Some employers have likewise introduced policies to restrict email usage. Last year, Lidl bosses in Belgium banned all internal email transactions between 6pm and 7am to enable staff to switch off, while German car manufacturer Volkswagen has configured its servers so emails can be only sent to employees' mobile phones during the working day and for half an hour before and after, but not during the evening or at weekends.

However, to truly enable workplace optimisation, a different approach to managing "excessive noise in the business" is required, says Sean Ramsden, chief executive of Ramsden International, a wholesale exporter of UK grocery brands. The excessive noise takes the form of people "busying themselves with lots of things that aren't really core to what the business is about", he says.

To tackle the issue, Ramsden recommends narrowing the organisation's focus of attention down to between three and five priorities, which are then trickled down throughout the business.

In other words, after the company establishes its three to five priorities, directors also set theirs, which feed into the organisational ones. The same principle is then applied to department heads and individual employees to ensure everyone is focused on the firm's core mission and purpose.

"It's about doing a small number of things brilliantly, rather than a large number of things alright," Ramsden explains. "If the business has too many priorities, which manifests itself in too many meetings, emails and the like, it has a real impact on its effectiveness and also on employee wellbeing as people are too thinly spread."

But there are other important ingredients to enabling workplace optimisation and supporting employee wellbeing too, says Dr Alan Watkins, founder and chief executive of coaching and development consultancy Complete.

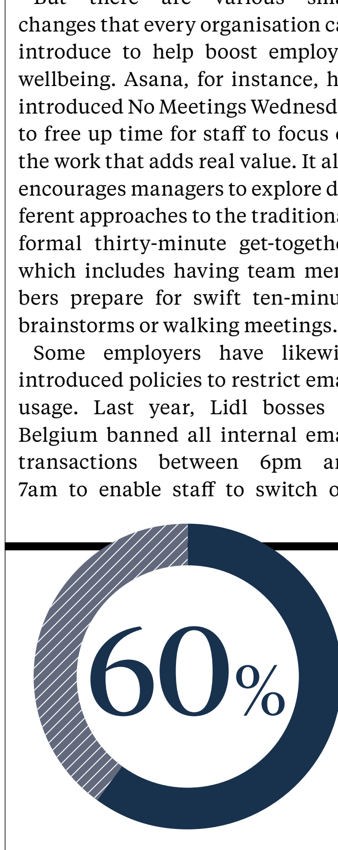
"Most leaders have an 'it' addiction in that they're addicted to targets and metrics, and see problems as something that needs to be solved by doing," he says. "But actually the world of doing is only one of three dimensions: there's also how people relate to each other for example, cultural issues and values, as well as the matter of trust."

Indeed, Watkins believes that if organisations took steps to quadruple the quality of relationships and improve trust, this would be a real game-changer as it would help unlock individuals' true capabilities, thereby making them more efficient and effective at what they do.

According to Dr Zofia Bajorek, research fellow at the Institute for Employment Studies, the key to success is line management. In her report *The squeezed middle: Why HR should be hugging and not squeezing line managers*, she cites a study by the Organisation for Economic Co-operation and Development's Nicklas Beer.

After evaluating the activities of 1,500 line managers at small and medium-sized companies in Germany, Beer found that employees with managers in poor physical and psychological health tended to find themselves in a similar situation.

As a result, Bajorek concludes that for those organisations keen to go down the workforce optimisation route: "Equipping line managers with the skills to cope with their stress and workload is important for improving the productivity and wellbeing of the employees who report to them too."



of the average knowledge worker's time is spent on work about work – activities such as communicating about tasks, hunting down documents and managing shifting priorities

30%

of knowledge workers regularly work late from the office or at home

103hrs

of their time each year is lost in unnecessary meetings

Asana 2019

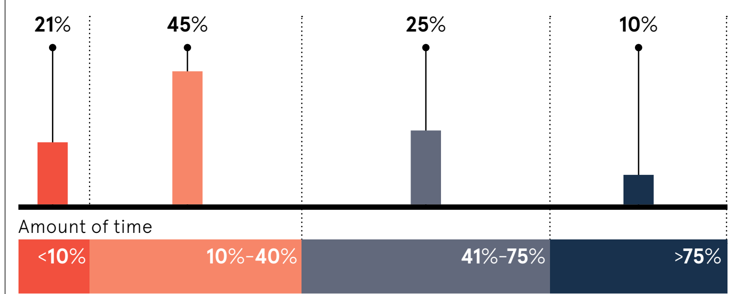
Gregory Jacquet/Unsplash

TOP FUNCTIONS RESPONSIBLE FOR INNOVATION

Global survey of business executives

AMOUNT OF TIME C-SUITES ALLOCATE TO DRIVE INNOVATION INITIATIVES

Global survey of business executives



Percentages do not equal 100 due to rounding

KPMG 2018

INNOVATION

‘Innovation is made, not born’

Innovative companies need to be people-centric risk-takers if they want to be truly disruptive

Oliver Pickup

Business leaders seeking to justify the critical need to drive innovation often, and erroneously, quote Charles Darwin, whose 1859 book *On the Origin of Species* transformed the world. “It is not the strongest of the species that survives, nor the most intelligent, but the most adaptable to change,” according to the sage advice.

Alas, there is scant proof the English evolutionist said or wrote those famous words. Nevertheless, the paraphrased comment holds water in 2020, because organisations that fail to prioritise evolution will drown. Conversely, enterprise pioneers who embrace a proactive attitude will sail ahead of rivals by achieving operational optimisation to drive innovation.

Progressive businesses have attempted to keep pace with society and technological advancement since well before Darwin’s time. However, in this digital age, the speed of disruption cascading upon all industries has elevated the level of urgency. Enabling innovation is now imperative for survival.

“Over half of all Fortune 500 companies from 2000 no longer exist because they failed to pivot,” says Simon Marshall, founder of TBD Marketing, a Bristol firm that helps organisations identify and grasp opportunities, either to improve operational optimisation or in other markets.

He points to Nokia – founded in 1865, six years after Darwin’s masterwork was published – as an example of a company that has sought to drive innovation, but has floundered in recent times. The Finnish organisation began life as a wood pulp mill before expanding into other vertical markets, from rubber boots and tyres, to televisions and mobile phones.

Indeed, Nokia was the world’s largest mobile phone manufacturer before Apple introduced the iPhone in 2007 and triggered the smartphone revolution. Four years later, Nokia’s chief executive Stephen Elop warned the company was “standing on a burning platform”, having missed the boat.

Marshall cites another cautionary tale. “Kodak owned the patent for digital photography, but was unwilling to slay its golden goose. It stalled and, when the patent ran out, others stepped in and killed off the photography giant. Organisations need to make brave internal decisions to drive innovation and pivot.”

As markets merge and shift, taking adequate time to consider outside insights, to gain fresh perspectives and spot potential threats and opportunities quickly, is vital. “Nokia performed those three transformations in over a century, whereas Apple’s transition from iTunes downloads to Apple Music streaming took only 15 years,” says Marshall.

“Consider that Netflix initially rented physical DVDs and helped kill off Blockbuster, before launching its streaming service a decade ago. The streaming service is now itself under fire from Disney+, Apple TV+ and others looking to fragment that market again.”

> **Some of the brightest ideas come from the most unexpected places. Be open to opinions, have empathy, show curiosity to learn**

Driving innovation and encouraging creative working, while sustaining operational optimisation, is perilously challenging, though. Tim Flower, global director of business transformation at employment engagement organisation Nexthink, likens it to “changing all four tyres on the car while it’s moving”. He stresses the importance of a heads-up outlook to keep aware of potential problems and possibilities on the horizon.

This outside-insights approach resonates with Emilie Colker, managing director of London design firm IDEO. She posits that cultivating a creative and innovative mindset is the only way to future-proof an organisation. Offering tips to business leaders, she says: “First, acknowledge that you will never have all the answers.

“Listen to your team. Some of the brightest ideas come from the most unexpected places. Be open to opinions, have empathy and show curiosity to learn. When striving for momentum in innovation, remember that your people are your power and unlocking their combined potential should be your number-one priority.”

Sandeep Kishore, who has led the transformation of Zensar Technologies from a legacy IT organisation to a “100 per cent living digital enterprise” since he was appointed chief executive in 2016, says: “People are always at the heart of any innovation. Technology is the tool and the platform, but not the solution.”

Kishore, whose 10,000 employees can communicate with him through the company’s new smartphone application, believes people-centric innovation is most likely to succeed because it is driven by empowering workers rather than increasing profits.

Further, innovation has to be a work in progress. “It’s a continual journey,” he says. “The model of innovation needs to be flexible and adaptable to the changes we keep facing across industries.”

How much, then, should organisations invest in innovation? Alf Rehn, professor of innovation, design and management at the University of Southern Denmark, and author of *Innovation for the Fatigued*, notes that Amazon spent a mind-boggling $36 billion on research and development alone in 2019, a 27 per cent increase on the previous year.

“That number is about 13 per cent of its revenue and doesn’t include all its innovation expenditure,” he says. “Top companies in innovation-focused industries tend to fall into the 5 to 15 per cent band of revenues. But budget alone doesn’t drive innovation; without a strong creative culture, innovation becomes very difficult.”

Rehn suggests that “culture eats innovation for breakfast” and advises business leaders to “create a working environment in which people feel comfortable presenting new ideas, taking risks and putting the effort in to generate new value”. He adds: “The approach of tomorrow’s winners is balancing outside insight with intelligent inside risk-taking.”

Neil Sholay, vice president of innovation, Europe, Middle East and Africa, at Oracle, agrees. “Innovation is made, not born,” he says. “There’s no proven formula; you can’t simply snap your fingers and expect invention to happen spontaneously. What you can do is create the ideal environment for it to flourish. With the right approach and processes, it can even become regular and reliable.

“While innovation doesn’t need to be big, it does need to be structured. The groundwork must be laid in advance, otherwise it won’t happen at the regularity and speed demanded by the market.” ●

Commercial feature

The culture key

Now, more than ever, building an empowered culture that embraces new ways of working is crucial to succeeding in today's rapidly changing operational environments

Given the unprecedented global events, it's no surprise that the dramatic pace of change in the business environment has created a need for agility in the ways companies operate, innovate and respond to customer demands. Attempting to achieve this way of working, which startups are typically born with, is exposing inherent inefficiencies that exist in large, well-established organisations.

These structural inefficiencies mean that when companies try to respond and adjust to change, they face challenges in sustaining operational performance and a competitive edge in the market. It's commonplace for companies to have teams working in silos, decision-making slowed down by bureaucratic approval procedures and employees fearful of challenging archaic processes.

This is naturally resulting in companies racing to transform and place agility and operational performance at their heart. However, seven in ten operational transformation programmes fail to generate their expected outcomes or lack the specific mix of elements to sustain, according to Baringa Partners, a consultancy that helps businesses to operate more effectively, navigate industry shifts and reach new markets.

"In times like these, most companies will quickly pivot into revised operational strategies and then jump straight to action before fully understanding how they're going to do it," says Rob Maguire, people and process excellence lead partner at Baringa. "They are often making decisions based on gut feel and without good data. After the initial knee-jerk, building a sustainable way of daily working in this new environment is crucial."

Creating a culture for sustainable change is vital to any successful transformation. Agility must be treated as an entirely new way of working, not a one-size-fits-all project with a defined start and end point. Leaders should adopt a servant leadership mindset whereby they empower their people to innovate, rather than rely on their own historic experience and learnt behaviour.

Furthermore, companies should identify where they need to progress from traditional silos and hierarchical organisational structures to create dynamic teams able to deliver at pace for their customers.

Central to achieving this empowered culture is an underlying principle that employees have the psychological security to fail fast and learn from mistakes. Cultures of blame and traditional performance management are frequently entrenched in large organisations, so leadership teams must seek to undo them and unlearn the underlying behaviours.

To assist with this, Baringa works with client leadership teams to create business communities in which people have the freedom and permission to test and learn without the fear of failure.

"It's very liberating," says Oli Barnett, people and process excellence partner at Baringa. "This requires several elements to be in place, including a high level of institutional trust, a mandate from senior leadership, clarity around the company's purpose and a totally engrained vision so people know what success is and how to achieve it."

Rather than seeing operational excellence and organisational agility as two separate components of a transformation programme, Baringa encourages companies to bring their underlying skillsets and capabilities together. Many organisations will go about hiring a large improvement workforce, comprising of both operational excellence and agile capability and knowledge, without realising that much of the skillset already exists in their business. By upskilling and repurposing their existing talent pool, organisations can achieve faster and more sustainable transformation.

With the rise of automation-based technologies, such as intelligent process automation, now often a firm fixture in business operations, it's also important companies build a hybrid workforce that treats digital workers culturally as an extension of the team while continuing to incentivise human staff. Baringa has developed digital workers that mimic human behaviour by greeting colleagues in the morning, creating digital personas that mix in with the human talent.

"Organisations need to recognise that digital workers need support as much as human workers," says Maguire. "If you consider the speed of change and agility in how businesses are evolving, as a person you need to be constantly updated in the new ways of working and it's the same for your digital workforce. It can't just be fire and forget."

To support its clients undergoing transformation journeys, Baringa has developed an operational resilience framework focused on data, daily ways of working and remote capability building to deliver rapid, sustainable results. Its 3D Transformation Framework centres around three core dimensions for achieving operational resilience: end to end, team by team and again and again. The unique proposition challenges the thinking of many traditional responses by developing a sustainable link between benefits certainty and cultural advantage.

Rather than relying on two or three "silver bullets" to drive through change, Baringa believes that instilling operational resilience requires organisations to embed 50 "silver pellets" across the business. As such, the most successful transformation programmes utilise a range of levers to realise their benefits profile and Baringa's research shows that many of these levers are cultural. Examples include leaders fostering a learning environment by giving intent to their people rather than issuing orders, which is outlined in L. David Marquet's book *Turn the Ship Around*.

Secondly, while financial results should be seen as an inevitable improvement outcome, it should not be the sole purpose for transformation. A common mistake that many global organisations make is focusing only on pounds and not also considering their customers and employees. By centring on this triple win, organisations create a sustainable and competitive advantage that unlocks long-term incremental value.

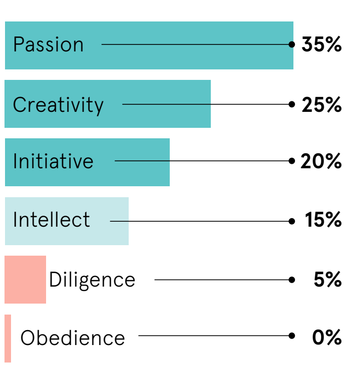
Much has been written on the power of a growth mindset, however this cannot be overstated. Leaders who have a mindset of embracing challenges with a greater persistence, seeing effort as the path to mastery and staying curious throughout the transformation journey, will ensure a higher propensity for success.

Engaged employees look forward to building communities and feeling connected to the company's mission. Employee engagement indices (EEI) are key measures for organisations to gauge future success. Employee engagement leads to improved performance in the workplace and organisations in the top quartile of engagement have significantly higher profitability and customer ratings, less turnover and absenteeism, and fewer safety incidents than those in the bottom quartile.

"Volatility isn't new, but today's velocity and uncertainty is," says Barnett. "Organisations that are engaged, agile and can transform in a way that doesn't require the cost of rebuilding their internal change capability, hold the key for short and long-term success. They have a DNA engrained in their culture where naturally they are empowered to adapt and improve."

> To remain agile, leaders must balance their desire for increased levels of control and compliance while moving decision making to where the information sits

WHAT PEOPLE TRAITS GIVE YOU A COMPETITIVE ADVANTAGE?



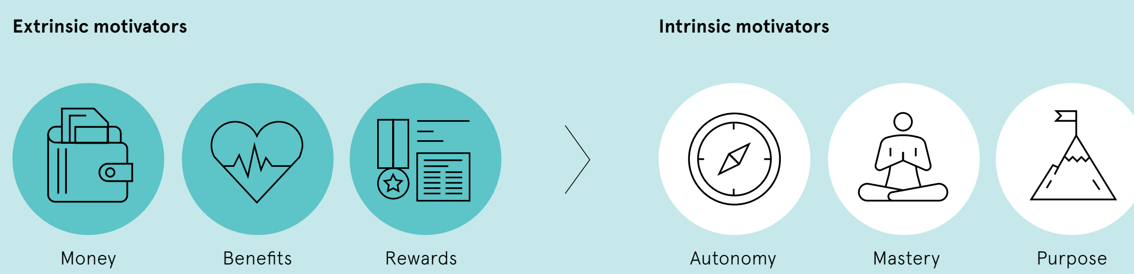
- Largely suppressed by leadership thinking and business policies, processes and measures
- Can be recruited
- Primary focus of most management systems and leadership thinking

THE OPERATING ENVIRONMENT HAS EVOLVED

	Previously	Now needed
Customer demand has changed	Relatively stable, predicable demand	Ability to rapidly respond to volatile markets
Processes are no longer fit for purpose	Optimised for previous environment	Processes that are resilient, compliant and in control
Operational team management approaches have changed	Teams and managers co-located	Remote visibility of productivity
Technology must support remote working	Legacy Microsoft Suite	An ecosystem of user-friendly, remote enabled platforms
Organisational hierarchies need re-thinking	Follow the chain of command	Empowered organisation enabled by a collective growth mindset
Data is everywhere, but insight is still hard	Limited data collected and/ or slowly extracted	Huge amounts of data with insightful analysis being a key differentiator

CHALLENGING CONVENTIONAL MOTIVATORS

Most business operating models are built around extrinsic 'carrot and stick' motivators. However humans yearn to exercise their minds



For more information on Baringa's approach to operational excellence or how we can help your organisation with its operational response to COVID-19, please contact OE@Baringa.com

COO

An uncertain future for the COO

For many businesses, the need for a problem-solving chief operating officer who can drive growth and deliver transformation has never been more pertinent. But, with many corporations reimagining and in some cases scrapping the title, what does the future hold for the second in command?

Rebecca Stewart

Some executive job acronyms come and go. The CCO (chief customer officer), the CVO (chief value officer) and the CCO (chief content officer) are just some of the abbreviations to have recently disappeared from top-tier line-ups faster than they emerged. However, as organisations look to thrive in the face of disruption, one-time board stalwarts, including the COO (chief operating officer), are facing change, if not the chop.

The COO has long been regarded as the right-hand deputy to the chief executive, but 2019 figures reported in the United States by Fortune 500 and S&P firms indicate COO titles have been in steady decline since 2000.

Two decades ago, 324 (48 per cent) of these 675 companies said they had a COO. Last year, they counted just 219 between them, a dip to 32 per cent.

Analysis from executive recruitment firm Crist Kolder Associates identifies startup minded technology companies among those least likely to have a COO, with just 21 per cent having filled the role. Though Facebook has one of the highest profile COOs in Sheryl Sandberg, Twitter has long been without one. Nokia, meanwhile, announced plans to ditch the role last year.

The more traditional financial industry comes out on top for COOs, but still less than half of respondents in this sector (42 per cent) say they have a full-time operations boss.

Where hiring for the COO position has stalled, the job description has expanded beyond day-to-day management. In turn, this has ushered in a new era of external and internal challenges for the second in command, leading to questions about the relevance of the title.

A recent report from BNP Paribas outlines how 60 per cent of COOs working in financial services believe their job title is no longer relevant. They argue that other descriptors, such as chief strategy officer, chief transformation officer and chief change officer, would better reflect their responsibilities.

So, against this backdrop, what is the long-term outlook for the COO? And how can those sitting in the hot seat adapt to avoid extinction?

Ultimately, COOs largely continue to hold ultimate responsibility for operational controls, owning the production line and budgetary management.

In many cases, though, a growing number are now tasked with handling their company's regulatory, compliance and governance agenda. On top of this, the COO is expected to implement strategy and generate change, as well as driving internal change using technology.

> **"As the world gets more complex, we increasingly need to find ways of encouraging different disciplines to work together**

IBM's most recent global C-suite study finds that COOs are increasingly using data to explore new business opportunities, reach relevant markets and forge closer links to customers. It categorises those doing so as "torchbearer" COOs, saying 75 per cent plan to invest in tools such as analytics and the internet of things to automate their business.

For all COOs, working across departments, including human resources and finance, is also key. BNP Paribas notes that 80 per cent of financial COOs now have two or more functions reporting to them, while the American Association of Accountants has seen an uptick in the number of combined chief financial officer and COO roles.

With other departments reporting to them, along with a pressure to drive business growth and handle day-to-day issues, COOs now wear many hats, which can leave some feeling thinly spread.

With so many operational, strategic and transformative responsibilities now falling on the COO, companies risk skewing objectives should they remove the role entirely from their business plan. For many COOs then, the key to survival will rely on rethinking their approach to leadership.

Barbara Hans has recently moved from Jaguar Land Rover's joint venture Spark 44, where she was head of transformation, to become COO for Asia at ad network Serviceplan Group. She says the role of a COO has evolved to be about big-picture thinking rather than control and cautions fellow COOs not to get too bogged down in the details.

"A COO shouldn't be a micromanager," she says. "I don't believe in this 'fly in, fly out' method of many COOs that show up in meetings for two days and believe they've seen enough. COOs need to spend enough time with their employees to understand the true challenges they're facing; that builds trust."

Fresh research from executive recruitment and development company Odgers Berndtson finds that only 15 per cent of executives worldwide have confidence in their own top leadership to manage disruption successfully, including unexpected events such as pandemics and climate change. Of these top-level decision-makers, just 43 per cent see the COO as having a key role in this, while a further 26 per cent place significant faith in the role.

The group's US chief executive Steve Potter argues that businesses themselves will need to reinvent what the role looks like.

"Organisations need leaders who aren't worrying about failure, but are focused on opportunity and will create structural changes that might be uncomfortable to old backward-looking CEOs and backward-looking COOs," he says.

"If you hire people who look and act like those who got you to the top, you will fail. The work must begin at the board level and work down injecting new ways of thinking into the organisation."

Mark Howley has been COO Publicis Media at Publicis Media UK since 2018 and is also chief executive at Starcom UK, which handles digital media strategy for the likes of P&G. Offering a unique insight into both roles, Howley firmly believes COOs need to move beyond their operations mindset and forge closer partnerships with their chief executive counterparts.

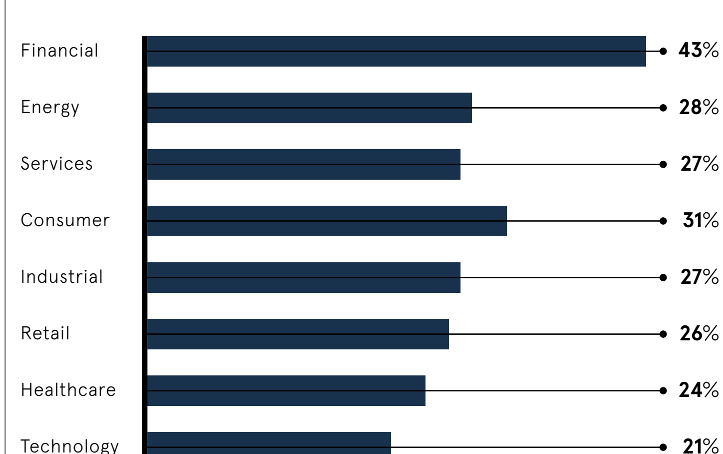
"As the world gets more complex, we increasingly need to find ways of encouraging different disciplines to work together," he says. "Here, we have seen the rise of terms like 'hacks' and 'scrum teams' as more common ways of working.

"A COO needs to help the company culturally work together more effectively, but it must always be to the benefit of clients and customers. If this is done well, the whole becomes far better than the sum of the parts." ●

Cara Fuller/Unsplash

COO PREVALENCE BY SECTOR

Percentage of Fortune 500 and S&P 500 companies with a COO in 2019



Crist Kolder Associates 2019

Commercial feature

Now optimise business operations like never before

The digital phenomena of massive data and hyper-connectivity have conspired to take operational optimisation to a whole new level, and organisations that fail to embrace it will be left behind, says **Colin Elkins**, vice president of manufacturing industries at IFS

Operational optimisation is nothing new. As far back as the 1960s companies were using machines and data to streamline various processes. But the world has moved on since the days of paper-based systems, early computers and the emergence of manufacturing resource planning and enterprise resource planning systems.

Now the cloud and the internet allow us to stream vast quantities of data instantly, from and to any global location, and not just from computers and machines connected to the internet of things, but from external sources, for example, weather patterns that facilitate more accurate forecasting. Add to this the global connectivity that now exists on an unprecedented scale, driven by 5G networks, which achieve speeds much faster than the internet of even five years ago.

Combined, massive data and hyper-connectivity enable systems within an organisation to not only make better decisions, but to automate them, setting the scene for intelligent automation or digital operational optimisation.

At IFS we are embedding machine-learning, robotic process automation (RPA) and operational optimisation within our application to enable the automation of more processes and to allow those processes to make more sense of what we do. For example, we are helping food companies to better predict what they will actually achieve in terms of accuracy and forecasting, seeing outcomes of a 13 per cent or more improvement over their current forecasts.

Operational optimisation can be applied to any process, not just the manufacturing processes of making things, but within every aspect of an organisation's operational ecosystem, from business planning to the way you serve your customers.

A good example of this is Jotun, a coatings manufacturer headquartered in Norway, whose biggest market is the coating of ship's hulls. The company installs software on the vessel to measure its performance by tracking relative changes in the relationship between the power delivered to the propeller and speed through water over time. Knowing exactly when the ship needs to be taken out of service to be painted is critical and Jotun has optimised this process to deliver a much more efficient performance per cost, a major win-win for the company and its customers.

> **The real game-changer in operational optimisation will be the ability to digitally duplicate the entire business operations, creating a digital twin**

The business world needs to accept that this is the way forward, yet a study by IDC[1] found 47 per cent of manufacturing companies are not embracing any of this technology, which is difficult to understand. MIT research[2] has shown business that do adapt to a digital world will be 26 per cent more profitable and deliver 9 per cent greater revenue, which is what operational optimisation is all about. An IDC survey[3] revealed that simply by using our solution, IFS customers across the board achieved an 18 per cent net productivity increase. That is hugely significant.

We have the tools and the capability to optimise our business operations like never before and there is no logical reason for not embracing these to improve revenues, reduce costs and create a competitive advantage.

Some companies have concerns about the costs of investing in these technologies, even though heightened connectivity and readily available high volumes of data have made many of these digital optimisation solutions more affordable.

There are other more important business cases for adopting digital operational optimisation. Issues such as climate change, carbon reduction, sustainability, transparency and traceability sit right at the top of the business agenda and are integral to the entire operational structure.

If you don't demonstrate these things from a tangible operational point of view, by implementing digital optimisation technology, you will find it harder to secure investment and attract talent, let alone trade your products in markets where sustainability targets apply. If you are not continually trying to optimise what you are doing as a business, you will be overtaken by others who are. And as this technology evolves, the gap between adopters and non-adopters will only widen.

We have some amazing technology underpinning operational optimisation, including 3D printing, co-bots, smaller more flexible robotics working alongside humans and nanotechnology that can track materials using near-field communication networks to sense products automatically, dispensing with the need for barcodes. We are also seeing hyper-automation, where all RPAs are connected, with amazing results.

However, the real game-changer in operational optimisation will be the ability to digitally duplicate the entire business operations, creating a digital twin, and that is just around the corner. A food company, for example, could model the following week's production schedule. They have the costs of the raw materials, the costs of the manufacturing process and can model the variables, such as a sudden spell of warm weather or potential transport disruptions, to see the impact on output, staffing and the balance sheet.

We are optimally automating all processes and connecting them now. The ability to model the whole business accurately, not just today, but several days ahead, is in effect optimising in the future and the reality of that is not very far away.

[1] https://www.superoffice.com/blog/digital-transformation/

[2] http://ide.mit.edu/news-blog/blog/digitally-mature-firms-are-26-more-profitable-their-peers

[3] http://ifs.biz/IDCReport

For more information please visit www.ifs.com

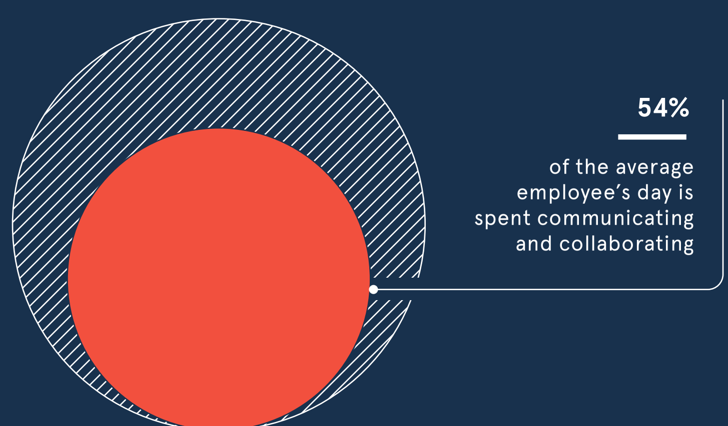
Cheer Pack

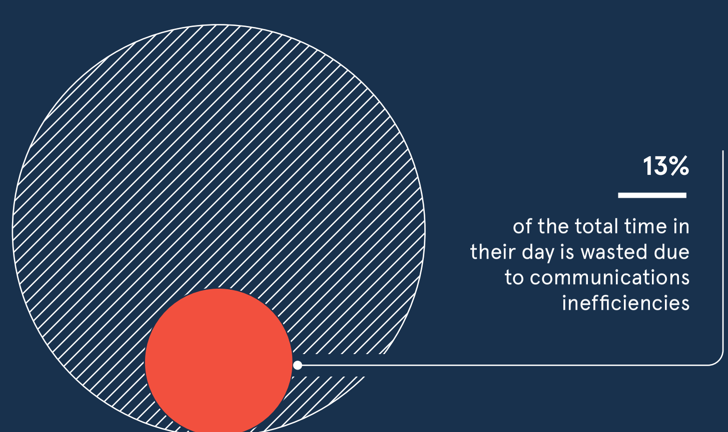
IFS has used robotic process automation technology to help a North American customer, food manufacturer Cheer Pack, to optimise their production operations and create a competitive advantage. This involves orchestrating the movement of a fleet of autonomous vehicles fitted with sensors, such as laser scanners and 3D cameras, to navigate the factory in response to a shop order production process generated by the IFS app. When a robot needs to recharge, it hands off its existing tasks to other robotic vehicles that can optimise themselves and ensure the most efficient flow of data and parts throughout the factory. As a result, the company has saved more than $1.5 million annually, while every employee affected will be retasked to a higher position, significantly helping to address current labour shortages.

7 WAYS TO BOOST WORKPLACE PRODUCTIVITY

True operational optimisation requires efficient employees. But companies large and small still suffer from the same-old challenges that hinder efforts to build a productive workplace. From needless meetings and staff disengagement to bad communication and unflexible working patterns, businesses need to understand their employees and what is holding them back before they can set out to improve productivity

01 END BAD COMMUNICATION

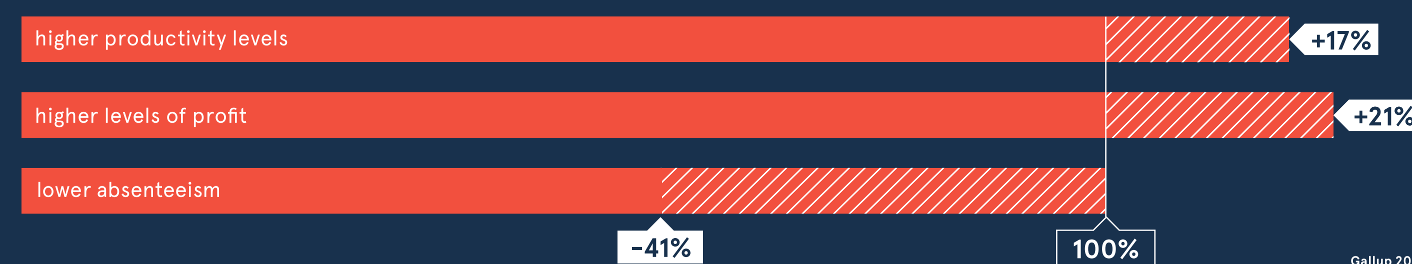




Mitel/Kelcor 2019

02 INCREASE EMPLOYEE ENGAGEMENT

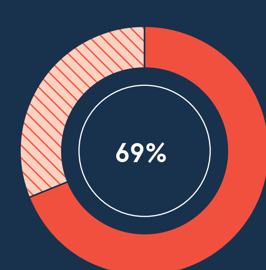
Happy workers are engaged workers, and engaged workers are more productive. According to global research from Gallup, compared with companies in the bottom quartile for employee engagement scores, companies in the top quartile experience...



Gallup 2019

03 FLEX YOUR WORKFORCE

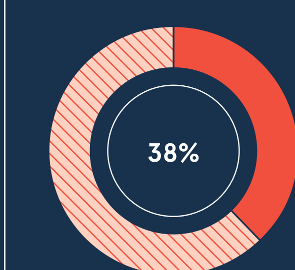
A study by Wildgoose found that, for those workers not offered flexible working hours...



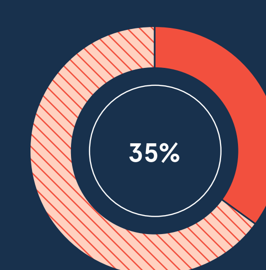
said they feel they would be more productive if they could choose working times that suited them

Wildgoose 2019

A separate study, comparing the lives of 1,500 workers who set their own hours with 500 of those who don't, found that...



of flexible workers said they felt happier now they were out of an office



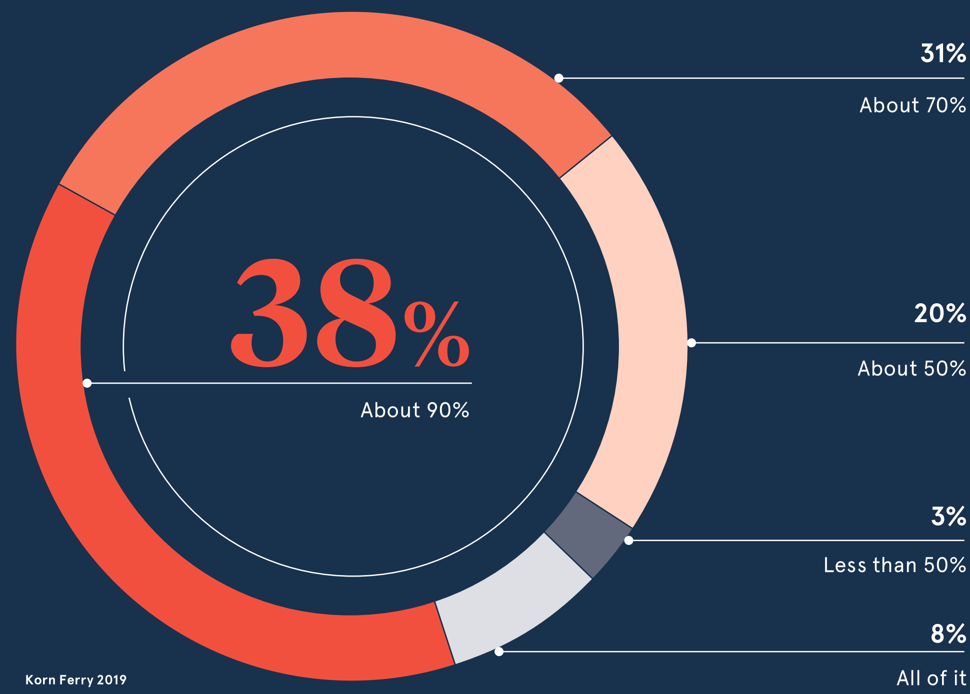
felt less stressed

AAT 2018

04 RE-PRIORITISE YOUR TASKS

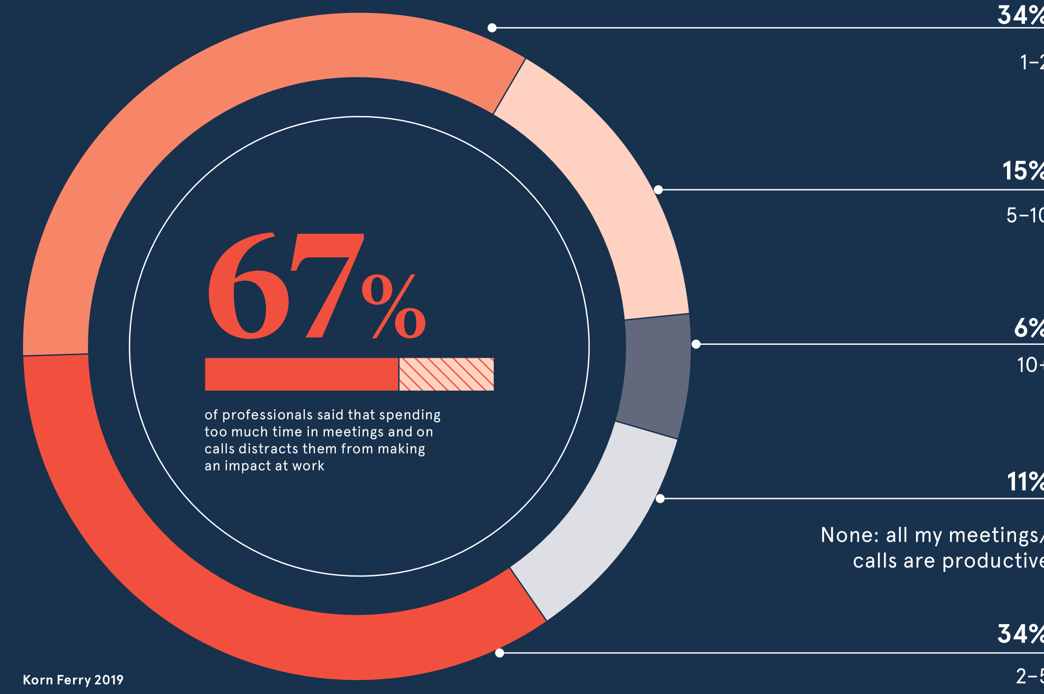
05 MIND THE MEETING MADNESS

Employees were asked how much of their day was spent on productive work tasks



Korn Ferry 2019

Average hours per week spent by employees attending unproductive meetings/calls



Korn Ferry 2019

06 UNDERSTAND YOUR WORKERS

Not everyone works in the same way and not everyone can be expected to be equally as productive at different times of the day. Switching to working patterns in line with chronotype could unlock significant economic gains

53% of indoor workers in the UK identify as larks, meaning they are most productive in the morning, but...

24% of larks don't go to work early despite this being their most productive time

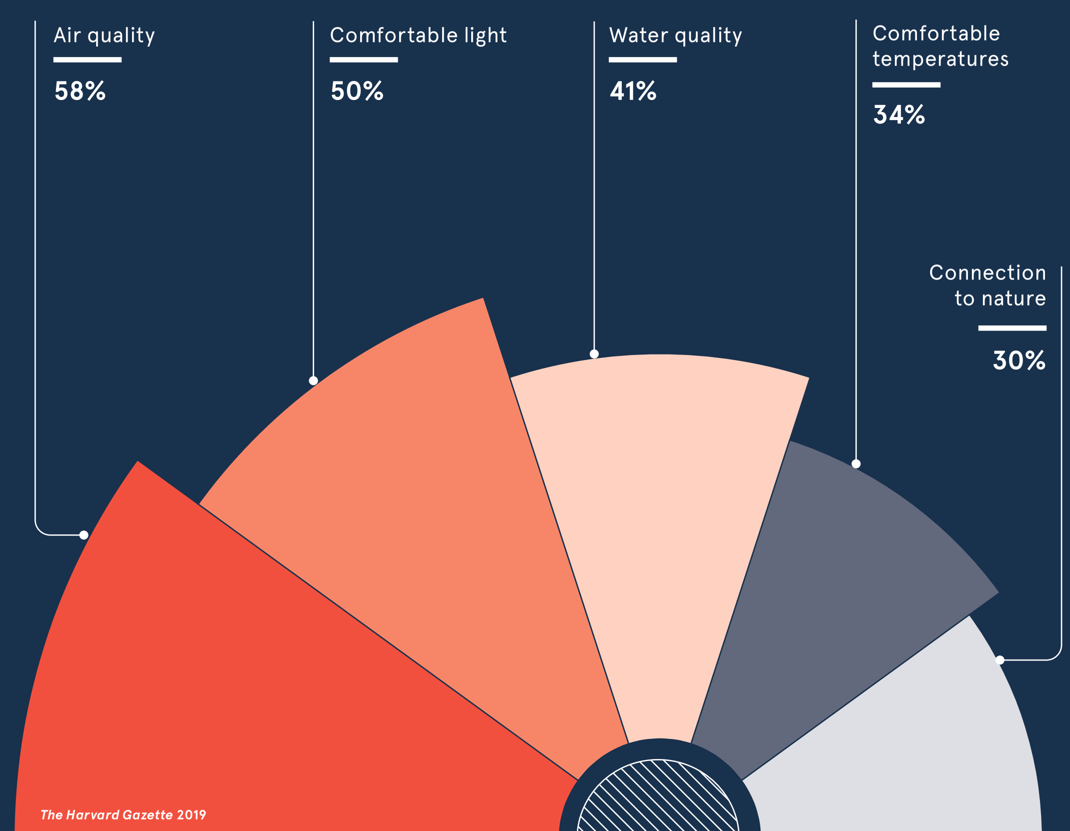
12% of workers identify as night owls, meaning they are most productive later in the day, but...

41% don't stay late despite this being their most productive time

Extentia Group 2019

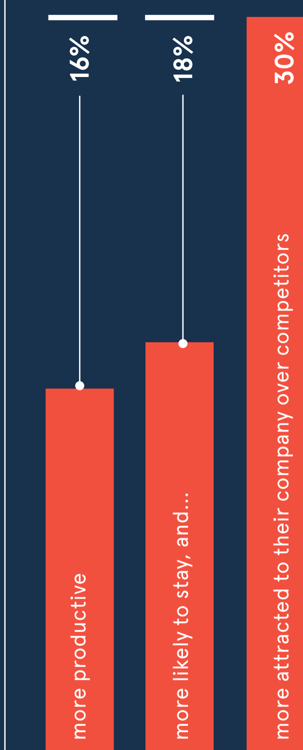
07 WORK ON YOUR WORKPLACE

Top workplace factors that matter to employees



The Harvard Gazette 2019

According to a Gartner study, workers who are satisfied with their physical workplaces are...



Ivan Bandura/Unsplash

AUTOMATION

Miners put RPA to work

Robotic process automation in the mining industry is reducing costs, saving time and upskilling workers

Heidi Vella

Mining is a traditionally analogue business. After all, the industry's symbol worldwide is a hammer and pick. Yet, despite the sector's antiquated reputation, some major mining companies are taking a progressive stance and proving digitisation and automation can achieve much better operational outcomes.

Known as Mine 4.0, the industry is seeing digital transformation creep into everything from trucks, drills and trains to back-office processes, such as procurement and supply chain logistics.

Miners have very little control over the revenue side of their business, as the global commodities crash of 2014 to 2015, when prices plunged by more than 30 per cent, and indeed the coronavirus epidemic demonstrate. Therefore, lowering costs and improving efficiency in the industry's three biggest areas of expenditure – wages, energy, and materials and supplies – has become paramount for shoring up the bottom line.

The industry leader in robotics adoption is Rio Tinto. The company has undergone a decade-long digital transformation at its Australian Pilbara operations, investing billions in autonomous trucks, which have 15 per cent lower costs, unmanned drills, trains and drones for its mine sites.

But Rio Tinto has also sunk money in robotic process automation (RPA) to complete back-office tasks, such as form-filling and data entry, more efficiently.

RPA software manages maintenance order requests, as well as scheduling, ordering, learning and development, finance and other core services for its iron ore business. The company saves around $200 million a year in maintenance costs through RPA, predictive maintenance and other information technologies.

Similarly, asset management software service provider Aspen Technology has worked with De Beers, an Anglo American company, at its Orapa mine in Botswana to implement a predictive maintenance pilot on its rock-crushing technology. The anomaly agent software, which works in the background to spy irregular changes in machine behaviour, identified three potentially serious issues months before a major event could occur. This saved the company millions of pounds, according to Mike Brooks, global director of asset performance management solutions, at Aspen Technology.

"Around 63 per cent of all maintenance is unnecessary, so once companies develop trust in predictive maintenance technology, they can extend their maintenance intervals because they know the software is going to tell them when intervention is required, rather than doing it routinely," he explains.

Process mining technology provider Celonis has worked with Anglo American to automate its extensive back-office procurement, pay and supply chain processes to improve reliability, prices and quality.

Celonis software mined the company's business processes to discover how they are executed, highlighted the inefficiencies and then analysed how to improve them.

"It's about looking for opportunities to reduce effort. This could be through RPA or other mechanisms, like improving data quality, better automation with your suppliers and customers," says Alex Rinke, co-founder and chief executive of Celonis.

Proving technology adoption is not easy. According to Rio Tinto's iron ore port, rail and core services managing director Ivan Vella, the company's automation journey "cost a lot more" and "took longer than you think".

Therefore, when adopting RPA and other information technologies, companies should consider intelligent versus unintelligent ways of cost-cutting, says Rinke. Namely, rather than take a job process and automate it as is, which may not be the most efficient way, first make it efficient then automate it. "It's a much more valuable approach," he says.

The intelligent use of RPA can also be dependent on the geographical, socio-economic and political environment of an operation.

"Firm's need to consider 'is there a supporting skilled labour market?' If the system breaks down, do we have to fly in specialists to repair and maintain the system or can we find immediate solutions?" says Professor Fidelis Suorineni, dean of the School of Mining and Geosciences at Nazarbayev University, Kazakhstan.

"In some countries red tape could delay imported supplies for months at the expense of productivity. These situations will dictate whether RPA is intelligently or unintelligently applied."

Unlike humans, robots don't make errors, don't get tired and can work 24/7. They are also much easier to scale up and scale down, which is a huge advantage in the cyclical mining business.

RPA also typically leads to a reduced workforce. Looking at Rio Tinto's operations, the CFMEU Mining & Energy Union in Australia has noted a trend of increasing capital intensity and declining jobs per dollar invested. While this reduces costs for firms in the longer term, it's a trend that scares many.

> **Robots don't make errors, don't get tired and can work 24/7. They are also much easier to scale up and scale down**

Michael Proulx, director of research at environmental, social and corporate governance research and ratings firm Sustainalytics, says though automation is likely to reshape the work environment for employees fundamentally, especially for larger workforces, if managed correctly it can be a positive change.

"In some cases workers will be upskilled, which requires investment in educational infrastructure and training. It can also dramatically improve safety by taking workers out of dangerous jobs," he says.

Rio Tinto last year introduced Australia's first nationally recognised qualifications in automation to provide education pathways to jobs in the area of autonomous operations.

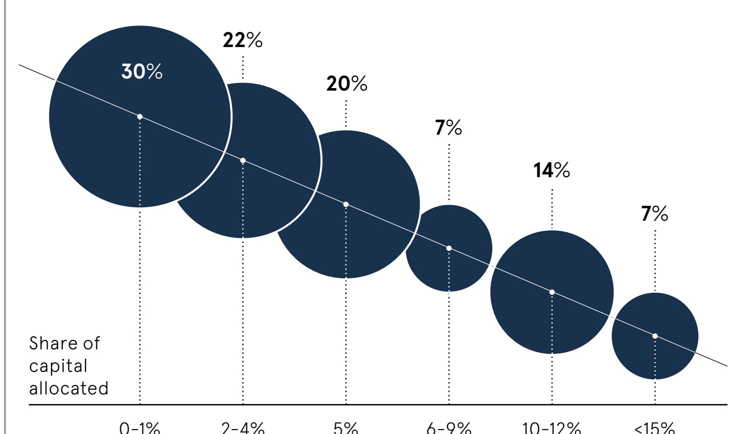
Lack of available skilled labour to drive the Mine 4.0 concept and principles is rarely talked about, says Suorineni. "Globally, mining education enrolments in universities have dropped to unimaginably low levels at a time when a new generation of mining engineers is needed," he says.

But Proulx warns companies need to be prepared to deal with inevitable social shocks and potential unrest as mining and other industries continue to shift towards digitalisation. These should be managed by mapping strategies to the United Nation's sustainable development goals, he advises.

Overall, automation in mining, as in any industrial setting, is proven to improve operational efficiency and help manage market shocks, such as the impact of COVID-19. This resilience, as outlined in Sustainalytics' recent thematic investment report, is also considered by investors as a marker of a sustainable and, therefore, more investable business.

FINANCING NEW TECH

Percentage of mining sectors' capital allocated to finance digital and new technologies in 2020



EY 2020

Transformations succeed only if they include people and processes

Process excellence techniques are key to achieving success, say **Scott Bolderson**, managing director and **Derek Cummings**, director of Protiviti

Thrive or survive? Operational optimisation has become an ongoing priority for businesses. But too often we see optimisation projects fall short of their aims due to an obsessive focus on technology to the detriment of people and processes.

As technologies proliferate, companies spend considerable amounts of time and energy adopting the latest software and gadgets, which can add significant value. However, businesses are run by people for people, so optimising the way humans and processes work alongside technology, using process excellence techniques, is crucial to becoming operationally world class.

This is an increasingly pressing challenge for businesses across sectors, sizes and function. Even before the coronavirus crisis, operational concerns dominated the top ten global risk issues in 2020, according to research by Protiviti. These included regulatory scrutiny of operational resilience, finding talent and resistance to change: issues that have become more important now than ever.

Another trigger for the race to optimisation is the rise of so-called born-digital firms altering the face of markets, from retail to utilities, banking and insurance. They are responding to consumers' needs and challenging traditional analogue businesses that are reacting with transformations aiming to achieve process excellence.

All these challenges and pressures can seem daunting to organisations that try starting a journey of process excellence without being clear about what it entails.

What is process excellence?

Customers are empowered like never before. Great customer experience drives loyalty and revenue. Add to that financial pressures and the constant need to stay on the forefront of technology developments and organisations often risk getting lost along the way.

Process excellence means streamlining processes and leveraging technology to achieve effective change management. This includes improving financial processes, integrating risk considerations into performance management and reducing working capital. The result is improving cash flow, risk management, and control and optimisation of costs.

Process excellence also results in better customer experiences. In today's business environment, processes and their outputs are interconnected in myriad ways. Even internal processes reach and affect the customer.

Process excellence also seeks to understand, control and manage business risks in the process. This builds resilience, which is key to customer experience. Hence, the customer needs to be at the heart of process strategy.

Digging into the process

To achieve excellence, companies must start by understanding, mapping and analysing all the variations in their core processes. Only then would we advise they choose the right digital solutions, build them to drive efficiency and control in the processes, and align these with people and strategy.

However, we experience that organisations regularly underestimate the complexity of their core processes, often as a result of mergers, bolt-ons and opportunistic growth. For example, a chief financial officer (CFO) might think there are 15 to 20 variations in their purchase-to-pay process, when the actual number is far greater.

> In today's connected business environment, no process stands alone

Without such understanding, these complexities will undermine the company's agility and lead it to fail to meet customer needs. They will find it hard to realise business case benefits, so their investment in business improvement will go to waste.

Because it requires transformation, change enablement is also key to successful process excellence. It must be sustainable too, so ongoing monitoring is essential.

Process mining can help you look more forensically at individual transactional data in a process, providing more insight into what it does. When you understand all the variations, you can see how each one may drive different actions and how you can optimise them for the benefit of your organisation and customers.

Supportive tools, such as process-mapping, customer journey-mapping and data-mapping, are available to help you understand and run your processes better. After achieving day-one optimisation, world-class organisations also keep using these tools to monitor processes continuously and understand any future variations.

People and culture

We often see companies spend a lot on technology they do not fully employ because they have not thought about how it will fit in culturally.

As an agency imbued in change management, we start any transformation project by looking at the risks and opportunities, gaining a comprehensive appreciation of your firm's digital capabilities and maturity, how they are empowered, and how they learn and develop.

Communication should reassure staff and help them get excited about the benefits of the change. If it doesn't, organisational resistance, one of Protiviti's top ten risks, will occur. Understanding cultural and behavioural dynamics is also critical for a successful transformation, alongside traditional mechanics.

Traditional programme assurance and management focuses on hygiene factors such as governance structures, programme management, policies and standards. These functional and technical aspects could lack some structure and oversight, have unclear objectives, miss unknown dependencies and lead to unplanned costs.

Often these are not the root causes of failure. We recommend combining traditional mechanics with dynamics that might generate risk, which include cultural characteristics, beliefs, behaviours, relationships, antagonistic behaviours or abrasive work environments.

Some leaders are excited and enthused about transformation. Others do not have enough positive experiences to believe in it; their companies tend to fail to deliver change. So, we aim to educate, from the board down, about the organisational benefits of process excellence and how to realise them together.

Role of CFOs and COOs

We repeatedly see transformation attempts fail because the finance and operations functions do not keep up with the pace of change. So CFOs and chief operating officers (COOs) need education around the investments available to them.

Machine-learning, artificial intelligence and robotics, for example, are now mature enough to deliver process excellence. We often help CFOs and COOs build the business case to show that benefits of transformation are real and economic.

Quick wins help. The days of waiting years for a return on transformation are gone. With many of our clients, we therefore aim for a return on investment in under a year.

For more information, contact derek.cummings@protiviti.co.uk or visit protiviti.co.uk

protiviti®

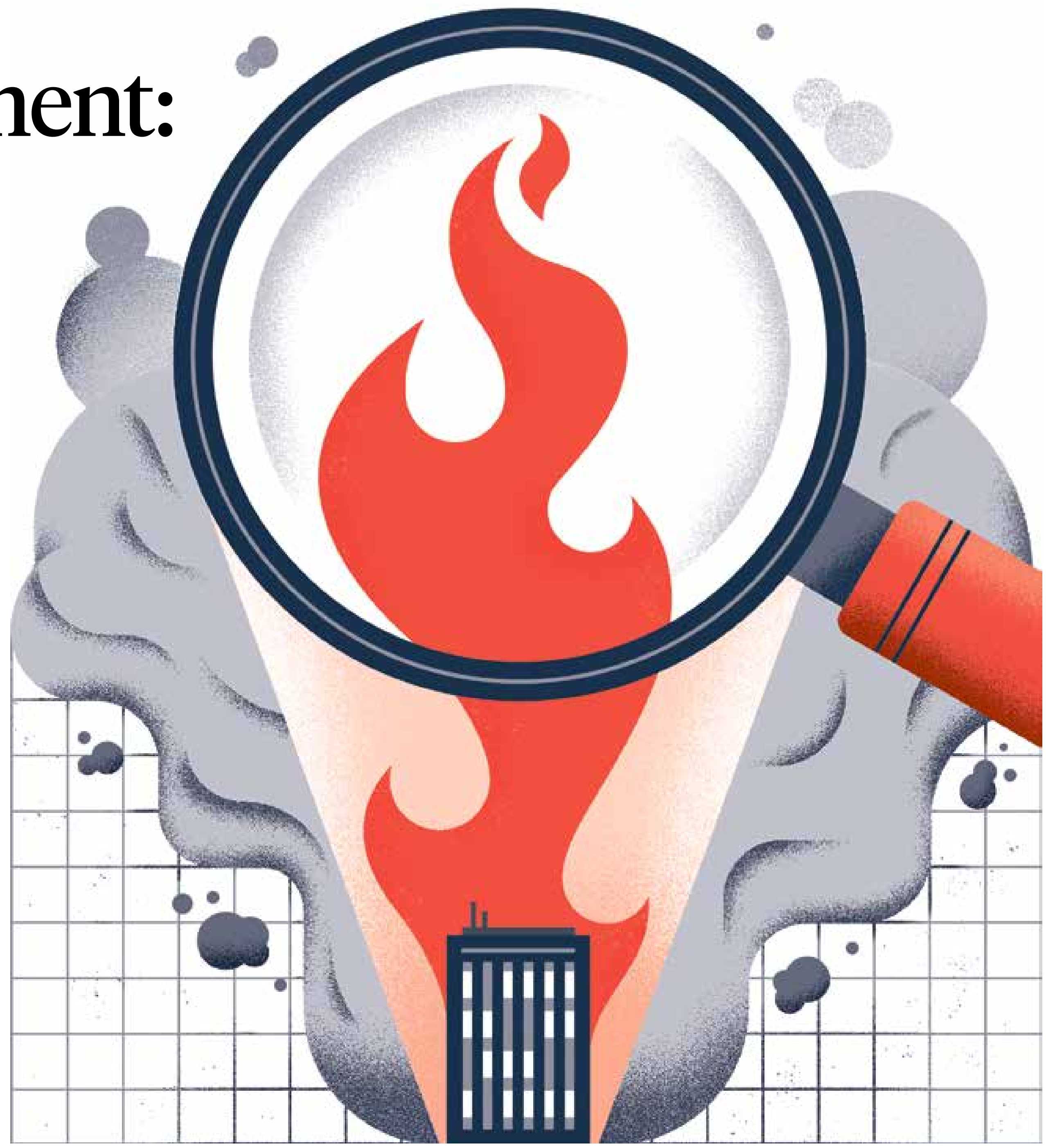
Together we are far more powerful

Our three key learnings are:

1. If companies cannot change and achieve process excellence, they will become increasingly irrelevant to their customers. Their financial performance and customer base will erode until they cease to exist; we see evidence of this every day.
2. If you go straight to technology without addressing the people and process issues first, your project is likely to fail.
3. Protiviti has an ecosystem of technology providers that partner with us because they know their tools work best in collaboration with an organisation which understands these issues. It's a powerful combination.

CONTINUAL IMPROVEMENT

Micromanagement: the end of your firm's future



What does continual improvement actually look like when it comes to a large, siloed organisation with multiple levels of management? And who owns it?

Nick Easen

When the dust settles post-coronavirus, with the likely bonfire of the corporates, culling the unprofitable, those in debt and others that are poorly run, surviving businesses will need a sharp focus on how they operate. Continual improvement processes will be crucial as a way of dealing with a host of new shocks, whether it's tougher market conditions, digital disruption or climate crises.

"Particularly in light of recent world events, businesses are asking whether being prepared for continuous change is enough. The next step will be to test whether or not corporations are agile enough to deal with sudden, unpredictable change and future-proof themselves," says Don Schuerman, chief technology officer at Pegasystems.

Yet many current operating models are too big, too slow and too expensive to adapt quickly. They aren't flexible enough to weather a long drawn-out global recession or new digital startups disrupting the status quo as they steal market share. Not to mention the slump in productivity or talent shortages now being experienced, so wholesale change management is likely to be on the cards.

"The issue is that many companies still invest in monolithic solutions that work for a certain number of years before they need a complete overhaul. This system simply doesn't work in a world where things move so fast at all times. Instead, businesses now need to be in a position to innovate incrementally, one feature at a time," says Nick Ford, chief technology evangelist at Mendix.

Running businesses more smoothly with worker feedback and optimising operations is nothing new; it's how the first industrial revolution evolved into the second, the third and beyond. Humans are good at learning and implementing change rapidly. Today things are different. Continual improvement processes are based on vast tranches of data and analytics; computational ability is king.

For instance, BT opted to optimise more than 160 operational processes using over 260 digital workers. This resulted in upwards of 20,000 hours a month of manual human effort going back into the business due to automation. "The wealth of saved resource enabled BT's workforce to focus on more creative and strategic problems that only human workers can achieve," says Peter Walker, chief technology officer, Europe, Middle East and Africa (EMEA), at Blue Prism.

Continual improvement processes now tend to run in parallel with digital transformation and automation programmes. And since they're often data heavy, they mainly fall under the remit of the chief technology officer or chief data officer, as well as IT departments. This narrow approach could be the issue.

"Business structures and siloed ways of working must adapt for businesses to thrive. The way we approach work will need to change; for some it already is," explains Julien Codorniou, vice president of Workplace from Facebook.

"The fact is failing to engage employees across an entire business can have a serious impact. It is crucial employers find a way to bridge this disconnect, especially if they're looking to transform their business."

Certainly, the C-suite is starting to take control of this challenge, realising that improving operations has strategic merits as well, since it keeps businesses competitive. It's also about how goals are framed. Those that are tactical, involve small details and incremental change, and can also be strategic, transformational or business led.

When spearheaded as a strategic goal they can rally top decision-makers, data strategists and IT departments. All those involved in this science say a holistic, collaborative approach is necessary.

"Continuous improvement processes need to be owned by the entire company. Companies that often fail don't have enough governance. Changes also need to be made in an environment that allows for safe failure, so people can try things out without fear of recrimination," says Richard

56%

of chief executives say their company has a culture where 'failing fast' innovation initiatives, regardless of their success, are celebrated

KPMG 2019

> Leaders need to encourage their people to perform at their best and give them the freedom to explore and test boundaries

Customer-centricity should be the end-goal

Continual improvement processes are rudderless unless there's a core aim and a revitalised corporate purpose. We live in an age where digital-native brands have optimally configured operations from the onset. Their clear focus is the customer. It's not surprising that many legacy businesses are now doing the same.

"Continual improvement comes from a constant focus on delivering value to customers. It requires regular feedback on the value they get from products and any additional features they find useful," explains Jerome Reback, senior consultant at Montfort.

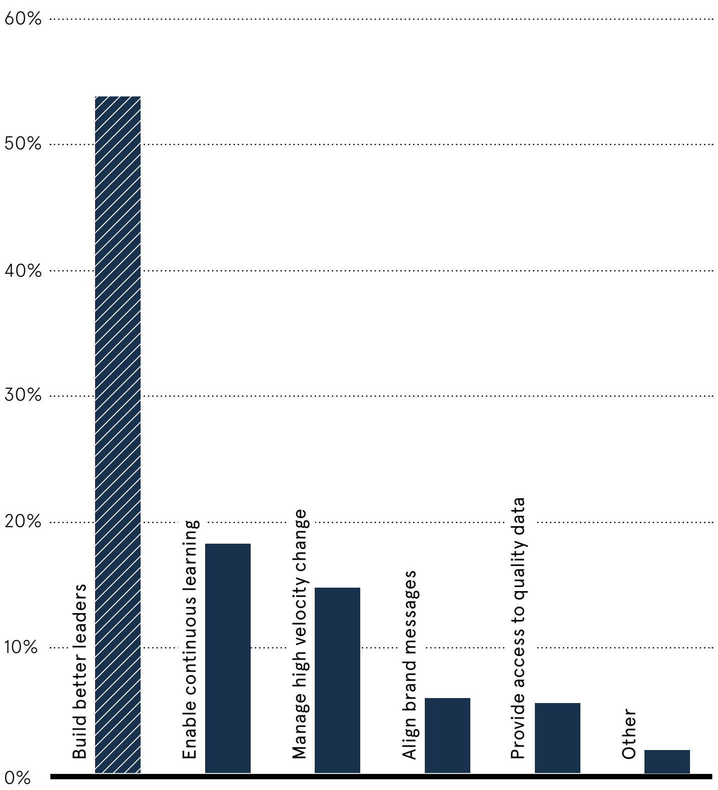
This can also be incorporated into corporate mission statements and articulated as a pledge to customers. Continual improvement as a work ethos can then be owned by the company and employees.

"When people can see a direct relationship between their personal effort and delivering what customers want, they will be motivated to seek ongoing improvement to satisfy customer expectations," Reback says.

However, there's no doubt that processes need to be put in place to provide insight into customer needs and how this can then support internal innovation. Teams also need to be encouraged to experiment developing improvements. But a shift in terms of value creation for the customer and organising operations around this is no small task. There lies the tricky bit.

BUILDING A MORE VALUABLE WORKFORCE

Global business leaders were asked what is the one thing they could do to maximise the value of their workforce



GattiHR 2019

Mathias, senior technology architect for EMEA at LiveArea.

Best practice involves testbeds, sandboxes and internal startups looking to improve businesses continually from within with a dogged attention to detail. If they are chief executive led and enable risk-taking, but without huge business consequences, all the better. However, all too often projects can be stifled by micromanagement and bureaucracy, which stands in the way of real innovation.

"Micromanagement can lead to delay, frustration and failure. Discrete tasks, delegated to self-empowered teams that have all the skills necessary to deliver real outcomes, will lead to the best results and improvements over time," says Jerome Reback, senior consultant at Montfort and a specialist in change and employee engagement.

"Rather than instruct people on what's expected, leaders need to assume more of a team coach role, encouraging their people to perform at their best and give them the freedom to explore and test boundaries."

With big monolithic, wholesale transformational projects out of favour in a world of rapid change, what should companies do? Go for much smaller projects with improvements over time or address single departments?

Creating pockets of excellence within a large organisation appears to be vital. Companies need a strategy for repeating or reusing success in one area of the business and replicating it in another. Scaling up is crucial too, as are so-called change ambassadors who champion ideas that can work well in one space and from whom others can learn. After all, change management is a people business.

"Without a sense of personal ownership and collective team focus, any overarching corporate intent will never be realised. To shift to a continuous improvement mentality requires a shift in culture. Culture cannot be changed simply by announcing it and posting a few printed posters with slogans. Culture change comes about as a consequence of real change in the experience people have at work and a belief that the way forward is going to be better than how things were in the past," says Reback.

"There's nothing wrong with seeking and promoting pockets of excellence. But for change to be sustained, the approach needs to be widespread. Success lies in generating a wave of momentum that builds energy and drives collective determination to make a difference, adding value to a whole organisation."

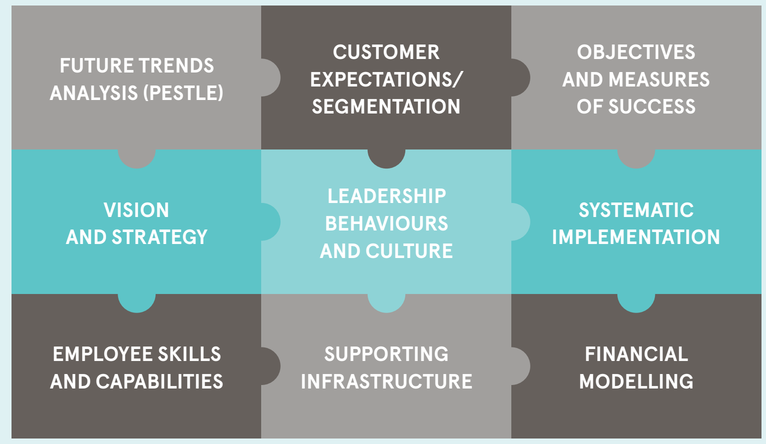
Indeed, any new reality needs to be different. Focusing on added value, not processes, on outcomes rather than project management, are also crucial. Failure can be seen in companies that either don't implement enough changes or make too many. It's also true that the continual improvement process is forever ongoing.

"This is never a programme that reaches an end-state: it's accepting there's continuous change in business models and technologies; it's fluid. However, companies that want to evolve how they operate must first ensure they have the right tools in place to take every employee on the journey with them," explains Workplace from Facebook's Codorniou.

The fact is it is a journey and a never-ending one at that. Those companies that are hot on continually improving their businesses processes will survive, weighing up the tactical and strategic smaller projects with holistic ones. It's also a fine balancing act, which many more will have to embark on. ●

TARGET OPERATING MODELS – KEY CONSIDERATIONS TO DELIVER SUSTAINABLE TRANSFORMATIONAL CHANGE

A strategic approach to Target Operating Model (TOM) not only delivers the immediate step change required, but also puts in place the foundations to drive a culture of customer-focused continuous improvement and innovation which delivers significant competitive advantage.



Transforming in a sustainable way

When most transformation programmes fail, how do you ensure long-term value for your business, customers and employees?

Evolving market forces, growing customer expectations and the rapid development of new digital technologies have made business transformation an imperative for many organisations. Yet when 70 per cent of strategic transformation programmes fail to deliver against the original objectives, it's clear companies need to reflect on how best to do it.

Short-term versus long-term thinking

"Short-term thinking can drive the wrong behaviours and result in poor decisions being made," says Sean Campbell, director at Reinvigoration, a UK-based business transformation consultancy, specialising in operational excellence, continuous improvement and innovative learning.

"Although organisations will set out a clear vision and associated strategic objectives at the start of a transformation programme, over time they often gravitate towards short-term interventions, which can be detrimental to embedding the longer-term, cultural change required."

One of the reasons behind this is organisations that experience the pressures of quarterly reporting are frequently driven by a desire to deliver short, sharp and immediate changes to the business. They may be able to demonstrate temporarily short-term benefits that satisfy the market, but as a consequence underlying issues will remain and longer-term value creation will be sub-optimal.

These short-term reactions can mean strategic objectives are not met and that over time the value originally delivered is eroded. Given the pace of change occurring in the world, it is clear organisations will be living in a state of perpetual transformation, but this does not mean they need to run strategic transformation programme after strategic transformation programme to deal with that.

In instances where this is occurring it would suggest the original vision and objectives were either incorrect or the short-term focus took precedence over long-term value. Therefore, when embarking on a transformation programme, companies should take the opportunity to review how they want to operate in the future. If they want to evolve in the marketplace, they need to consider what cultural and behavioural changes are needed, starting with the mindset of their leaders, and to leverage the full power of their people in driving customer-focused improvements.

> We reorganise the way a business operates to optimise service delivery and value

Prioritising a multi-focus approach

Target operating model (TOM) reviews are often used by companies as part of a transformation programme to determine how best to structure and rationalise areas of operation. Often, cost-saving will take precedence and this can result in a future operating model that delivers sub-optimal performance in provision of product and service to the customer base. The need to manage the cost base effectively can sometimes cloud thinking on how best to structure an organisation.

"Organisations need to look at transformation from multiple perspectives," says Campbell. "Key areas of focus include having a clear vision, understanding the long-term value expectations, ensuring employees are deeply engaged, developing the requisite capabilities, putting in the necessary supporting infrastructure, and setting out clear expectations in regard to leadership behaviours and role modelling.

"But it is also essential to put customers at the heart. What they expect and view as great today will not be the same as tomorrow. You must deeply understand your customers and quickly adapt to any changing needs and expectations, while doing so in a cost-effective manner."

Engagement is key

Reinvigoration works with organisations to help them fulfil their full potential and deliver long-term, sustainable, transformational change. It has a structured approach to TOM reviews, with an emphasis on gaining a detailed understanding of customer segmentation and customer journeys. This helps organisations realise year-on-year value from successfully delivered transformational change, while also engaging employees, building capability and embedding a culture of continuous improvement.

"True competitive advantage comes from your people." says Campbell. "We work with organisations across multiple sectors and pride ourselves on establishing trusted adviser relationships, which is also reflected in how we approach TOM reviews. We engage people at all levels of the business and ensure customers are actively involved. Ultimately, we will reorganise the way a business operates to optimise service delivery and value. We work to create the required behaviours and build capability, while releasing the creative and innovative power of the organisation's people."

Reinvigoration's latest e-book on Target Operating Model design is available for free download at https://reinvigoration.com/operational-optimisation-times-report/#tom

REINVIGORATION

Ecosia

SUSTAINABILITY

When less bad isn't good enough

Christian Koll, chief executive of Ecosia, which plants a tree for every 50 searches made through its search engine

Sustainability should be on every company's agenda. And while moving to a carbon-neutral model is applaudable, some businesses are going one step further

Mark Hillsdon

As we enter what has been dubbed "the climate decade", is it enough for companies to just talk up their ambitions to become carbon neutral? Or should they be taking further action and starting to look at ways in which their operations can become climate positive?

In recent months there has a been a slew of corporate announcements, as some of the world's biggest companies have ramped up promises to cut their carbon footprint. In January, Microsoft pledged to become carbon negative by 2030, swiftly followed by a promise from Starbucks to become "resource positive" over the next decade and O2's decision to offer the UK's first net-zero carbon mobile phone network by 2025.

According to Mathias Lelievre, chief executive at global sustainability consultants ENGIE Impact: "Recent environmental disasters around the world, coupled with stakeholder demands, have accelerated the need for these companies to make moves beyond pledges."

He expects to see efforts to reduce emissions, cut waste and improve efficiency become a primary focus for companies across all sectors and industries, with new operational processes, supply chain innovations and company cultures reset.

"It is, undoubtedly, a huge challenge, but businesses can no longer afford to have this as a secondary priority or view it as an operational initiative alone. It must transcend the organisation," Lelievre says.

Jason Tundermann, vice president of business development at LevelTen Energy, a renewable energy platform, agrees. "Corporations are experiencing pressure from many different stakeholders, including customers, employees and even major investors, to reduce their greenhouse gas emissions.

> **If you aim for a positive impact, then it's a positive objective. It means you will become part of the solution rather than the problem**

"Greenwashing isn't going to cut it anymore; these external groups want more transparency when it comes to reporting and they want to see a clear plan in place to reduce emissions now."

So how can businesses curb their emissions and start running an organisation that isn't just carbon neutral, but which actually has a positive effect on the climate?

One option is a power purchase agreement, or PPA, when a corporation directly contributes to a new renewable energy project by agreeing to pay the developer a fixed price for energy when the project comes online. It's a way of eliminating the carbon impact of purchased energy, while also adding green energy to the grid.

"With one agreement, a corporation can reduce their emissions on a massive scale and they can point to a new wind or solar project that was built as a direct result of their actions," says Tundermann.

Many businesses turn to carbon off-setting as a way of reducing their emissions, buying carbon credits to compensate for the CO_2 they emit. These credits are then used to support environmental projects, such as reforestation schemes, but critics argue that unless these schemes are well monitored, all they actually do is "pass the carbon buck".

Graeme Dawes/Shutterstock

IKEA: growing and reducing

This year IKEA bucked a trend. It was the first year in which the company's climate footprint decreased, by 4.3 per cent, while at the same time retail sales grew by 6.5 per cent. The figures were achieved through a significant increase in the renewable energy used to produce IKEA's products, along with the greater energy efficiency of its lighting and appliance ranges.

As Andreas Ahrens, head of climate at the Inter IKEA Group, explains: "The IKEA commitment to become climate positive by 2030 means to reduce more greenhouse gas emissions than the IKEA value chain emits, while growing the IKEA business.

"This includes strong actions to address not only how IKEA impacts climate change, but also how climate change impacts the IKEA business. This is critical, especially since we are a material-intensive company."

The company has committed to invest €200 million to speed up the transformation towards climate positivity, with the investment channelled to the IKEA supply chain and how it uses renewable energy, and also removing carbon from the atmosphere through reforestation and better forestry management.

The business has also eschewed carbon offsetting, committing instead to ensure carbon remains stored in its products longer by supporting the circular economy.

IKEA prides itself on the long-term partnerships it has with its suppliers, says Ahrens, and the way in which this supports innovation. For example, he explains: "Glue in boards stand for 6 per cent of the total IKEA climate footprint and we have several innovation projects with partners to find a bio-based glue with a significantly less climate footprint."

There are even plans to introduce a plant-based version of IKEA's popular meatballs, eliminating the carbon embodied in the cattle industry.

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easyJet: flying with a cleaner conscious

In November, budget airline easyJet became the first major airline to announce it would be operating net-zero carbon flights across its total network.

Alongside its investment in cleaner renewable energies, such as solar and wind, the company is also offsetting its carbon footprint by investing in afforestation and the prevention of deforestation.

Since November, nine million customers have taken net-zero carbon flights with easyJet, meaning the company has offset 0.8 million tonnes of carbon emissions from the fuel used for these flights through its various investments, which include forest regeneration in South America and Africa, and solar energy projects in India.

"We know carbon offsetting is not perfect, but right now we believe it's the best way to address the carbon emitted from flying," easyJet announced.

Going forward, the airline said it would continue to look at other emission-reducing methods, such as making aircrafts lighter, taxiing on the ground using only one engine, and the ongoing development of electric technology.

Ecosia

An employee at one of Ecosia's projects in Indonesia

"Doing something positive elsewhere will not remove the problem created by emitting the pollutants in the first place; it will only mitigate for it," says Mats W. Lundberg, sustainable business manager at engineering firm Sandvik Materials Technology, which has committed to halve its CO_2 impact by 2030.

While activities such as planting trees, drilling holes for clean water and funding solar panels are all commendable, he says, they need to be done in combination with activities that are also cutting the actual emissions from business operations.

"The only way to introduce true operational resilience is not to make a negative impact on the environment. Being carbon neutral, or hitting net zero through offsetting, just means doing extra good things and, if not combined with improvements in business operations, they are offering a 'free pass' to counteract the negative emissions," says Lundberg.

One part of a company's carbon footprint that is often overlooked is created by its use of digital technology. The figures are staggering; according to the carbon think tank The Shift Project, ICT contributes about 4 per cent of all global greenhouse gas emissions, twice as much as the aviation industry.

Ecosia offers companies an option, having developed a search engine that tackles the embodied emissions associated with the internet. All the company's searches are powered by green energy from its own solar plants, explains chief executive Christian Kroll, and for every 50 searches, the not-for-profit company plants a tree. So far, more than 87 million have been planted, with companies such as Marks & Spencer, EY and a clutch of UK universities all using the search engine.

And Ecosia is set to open its second solar plant this year, as part of its goal to produce twice as much green energy as it actually needs, extra production which, says Kroll, will push dirty energy out of the grid.

"There are a lot of companies who say 'yes we want to become carbon neutral by 2030', but that still won't be enough," he says. "If you change your business model, or shift your business priorities, there is no reason why a company should stop at being just carbon neutral. Since we are living in the age of climate change, we have to start thinking differently."

Marga Hoek, sustainable business specialist and author of *The Trillion Dollar Shift*, which looks at the business opportunities opened up by the United Nation's sustainable development goals, thinks companies need to be ambitious. She agrees they should start to look beyond simply becoming carbon neutral and actually aim to make a positive impact.

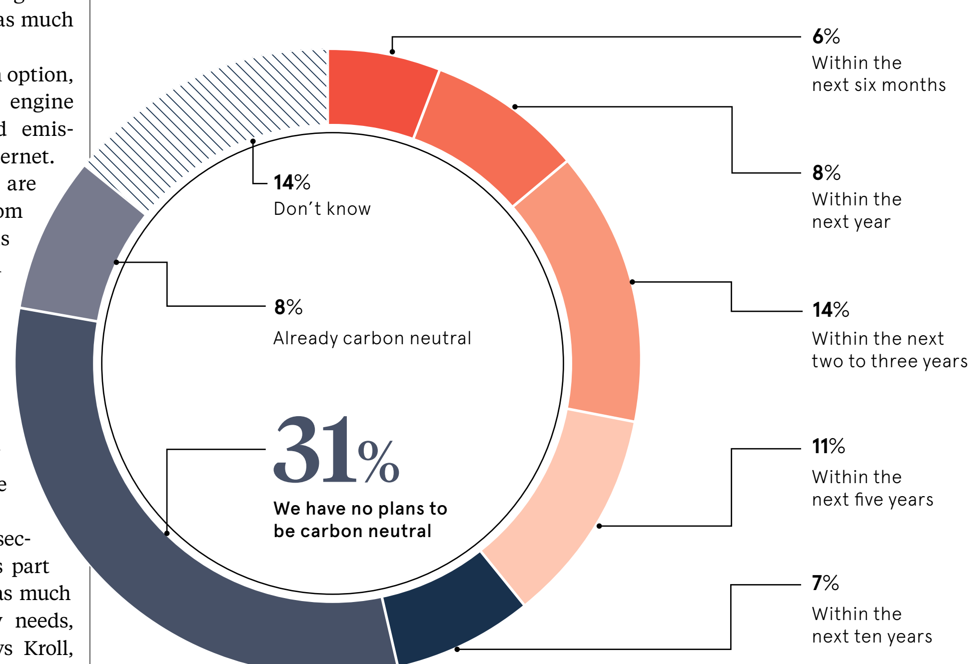
"Less bad is not good enough," says Hoek. "If you aim for a positive impact, then it's a positive objective. It means that a company will become part of the solution rather than the problem." This is the best way to access new markets that issues like the climate crisis will open up, she adds.

Companies edging towards climate positivity can also enjoy a reputational boost, which is crucial when you consider that in ten years time, 75 per cent of the global workforce will be millennials, who are far more progressive in prioritising sustainability and also want to work for companies that are purpose driven.

But there is a more fundamental change. Historically, the talk has always been of decoupling growth and impact, but if companies are now driving to have a positive impact, then this thinking is turned on its head. "Now we need to couple growth and impact because now we say the bigger the company is, the better. That's a thrilling thought because it means the world is served best the more your company grows. It's a totally new way of thinking," Hoek concludes.

PLAN TO GO CARBON NEUTRAL

When UK businesses plan to go carbon neutral



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