



The resilient operating model

Overcoming corporate bureaucracy
through people, partners and insight

The fallout from the COVID-19 pandemic has changed consumer behavior and fundamentally restructured the global economy. Possibly forever. Accenture research estimates that the ripple effect will redistribute more than US\$3 trillion of value across industries and ecosystems.¹ To survive, companies need to adapt. Fast.

One lesson is clear: Those armed with operating models that enable them to continuously adapt are more likely to prosper. Organizational agility and resiliency are increasingly recognized as critical to future success. In fact, **93% of executives** surveyed by Accenture said their very existence is jeopardized by operating models that can't keep pace.² **Seventy-four percent** feel they will need to completely rethink their operating models to be more resilient as a result of COVID-19.³

Organizations that fail to act now risk getting buried by the competition long before the next crisis.

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A sense of purpose

Beyond value of shares to shared value

The pandemic forced many organizations to adjust their purpose: perfume manufacturers switched to producing hand-sanitizer and household appliance brands adjusted production lines to boost supplies of ventilators. Now, as we look towards a post-pandemic future, companies must consider their *raison d'être*. Why they exist, their purpose and how they will create value—not just to shareholders but to extended stakeholders: their customers, employees and the wider community.

Defining a clear organizational purpose provides a North Star to guide not only the overall corporate strategy but the operating model itself. While this begins with the Chief Executive Officer (think Satya Nadella leading Microsoft's transformation from software to cloud services),⁴ their muscle alone won't drive real impact if the transformation is not embedded into the core of the organization and activated by employees every day.

As one CEO put it: "A leader committing to purpose is a promise for change. Employees committed to purpose is an engine for change."⁵ He is not alone in his belief. **Half of the C-suite executives** we surveyed indicated that articulating a sense of purpose across the workforce was their top priority to help improve agility and drive transformation.⁶

So how do organizations use their purpose and sense of shared values to create an operating model imbued with flexibility and resiliency? During times of crisis, it's easier to convey a sense of purpose. Consider how workers in grocery stores and warehouses, and delivery drivers, became "front-line workers" during the pandemic. Even complex organizations can move with agility when focused on a shared purpose. Like Britain's Royal Mint. The centuries-old government entity dedicated solely to producing coins took just 48 hours to design a plastic visor for health workers. Within a week they were making one every 10 seconds.⁷

The harder part comes in sustaining this sense of purpose over time, which entails creating an understanding of how all levels and roles contribute to the organizational purpose. This in turn instills a sense of ownership. Add democratized decision-making into the mix and the result is less bureaucracy and greater flexibility. As Hugh Johnston, Vice-Chairman and Chief Financial Officer of PepsiCo, said: "One of the things we have learned is that empowering our front-line leaders and our regional operating executives...to make fast decisions locally...has enabled us to accelerate our growth."⁸

Beyond empowering employees, there is a growing expectation that employers must provide a safe and nurturing workplace. The switch to home and remote working has created new challenges as workers have been forced to adapt rapidly, even as some have had the added pressure of homeschooling children.

A majority of C-suite executives (86%) agree that companies must put the health of the workforce at the core of its business in the wake of the COVID-19 crisis—further emphasizing that getting the best out of their people means taking a broader, more holistic approach.⁹ CEOs need to take note: Caring for people isn't just right thing to do. It pays dividends. Actively supporting the health and well-being of the workforce helps create a more resilient organization. The World Economic Forum's Future of Jobs Report 2020 states: "The well-being, productivity and prosperity of individuals is at the core of all successful economies and firms."¹⁰



To achieve the vision of management, the operating model, business strategy, and individual employees all have to be on the same page.

**Chief Strategy Officer,
Retail, USA**



Foresight begets agility and resilience

In a world of massive data proliferation, every company is challenged to derive insight from information. It's another challenge that's been exacerbated by the crisis.

In fact, **68% of executives** ranked capturing insights as the most important element of their organization's operating model in helping them to adapt to the COVID-19 crisis. Yet **only 17%** had full confidence that their organization had the necessary insights to make the right business decisions.¹¹

Some, however, have done a better job. **Seventy-five percent** of leading companies leverage data insights to update and adapt their operating model to meet shifting strategic priorities.¹²

They make faster, better informed decisions as a result. By skillfully combining historical and real-time data, companies can sense and anticipate what's ahead.

Consider how McDonald's is combining insights and artificial intelligence (AI) to create a faster, more personalized customer experience and modernize its operations. The firm is testing a system that scans customers' license plates (with permission) when they pull up at the drive-thru to predict orders based on their purchase history and location. McDonald's is also testing a voice technology for order taking at the drive-thru, which is one of the ways they have increased the speed of service by 30 seconds per customer.¹³

Other examples of using insights to anticipate consumer behavior and tailor offerings accordingly: The rise in demand for high-end furniture delivered to

rural areas signaled that the home rental market would surge. In response, rental platforms expanded their portfolios in non-urban, traditionally less-popular destinations.

Seeing a similar pattern of demand for regional road trips, Marriott Hotels developed a mobile "Drive Trip" tool (in partnership with Verizon Media) that helped them identify a new "at-the-time" segment of travelers making more spontaneous trips and serve them real-time personalized destination recommendations—including Marriott properties—based on how far they wanted to drive.¹⁴



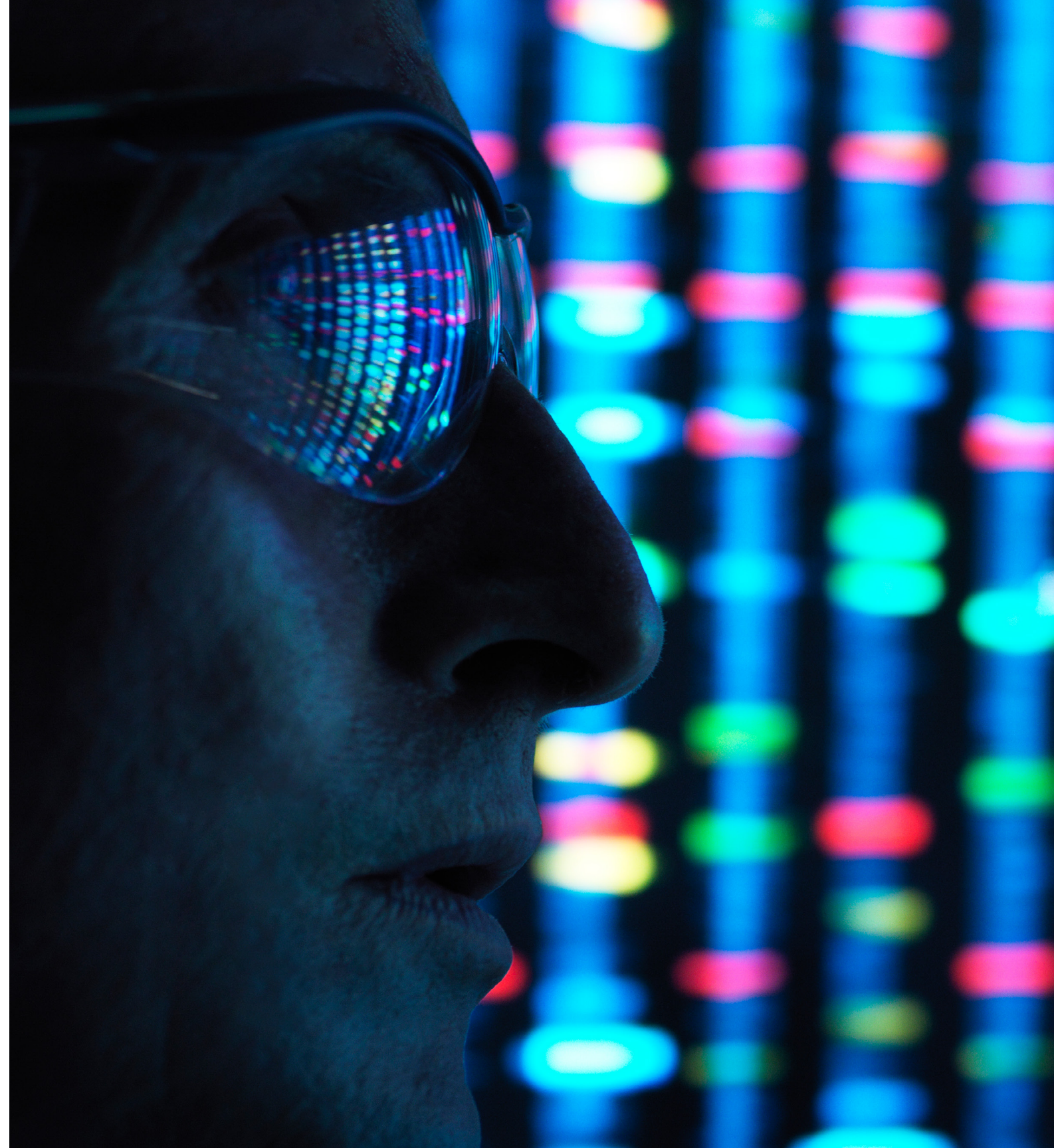
Our operating model can only gain agility if we understand what our customers want. Customer trend analysis is a must-have. That's what enabled us to align our new products in line with customers' demand. So, the role of predictive systems is doing all the magic.

Chief Operations Officer, Insurance, UK

Ecosystems as agents for change

It's an eye-opening statistic: 90% of C-suite executives consider building an ecosystem business model important for their company as they navigate the effects of the pandemic.¹⁵

Why? Partnerships allow organizations to rapidly access capabilities to refine their market approach. The pandemic has brought home the importance of choosing partners wisely. Which makes sense. **Ninety-four percent** of Fortune 1000 companies experienced supply chain disruptions from COVID-19.¹⁶ These shortages in the early stages of the pandemic highlighted the dangers of over-reliance on ill-equipped third parties or, in other cases, exposed a lack of due diligence when it came to selecting strategic partners.



By turning to a trusted network of partners and alliances, companies can access the customers, capabilities, talent and ideas needed to respond to changing market trends, new technologies, emerging competitive threats and regulatory changes.

For instance, Ford and Google have established a new partnership called “Team Upshift.” The partnership will enable Ford to double-down on their core purpose and expertise in vehicle design and production, while ensuring they have access to Google’s technology to improve the driver experience and also improve Ford’s own operations. For customers, Google’s cloud services will send real-time messages on maintenance and trade-in opportunities. Vehicles will be integrated with Android technology like Google Maps and infotainment systems. For Ford, Google will apply AI to improve supply chain, logistics, and manufacturing.¹⁸



One of the most important parts of our strategy is to partner.¹⁷

**Jim Ford, Chief Executive Officer,
Ford**

When ecosystems really deliver

Delivery and collection services have provided a lifeline to customers severely impacted by COVID-19 restrictions. Think of Deliveroo. Their initial offering was fast and reliable food delivery from restaurants that customers could track on their phones. They then partnered with leading retailers to launch a grocery delivery service. The result? A service that didn't exist a year ago now accounts for 10% of all Deliveroo's UK business and is the organization's biggest source of growth. At the same time, their supermarket partners utilize the platform to improve their customer service and grow sales despite the obstacles posed by the pandemic.¹⁹

Making the change

Companies that harness their operating models to achieve greater agility could collectively unlock US \$5.4 trillion in profitable growth.²⁰ How? By creating a state of perpetual motion that allows them to rapidly exploit new opportunities. Here are some concrete actions to consider:



Agile governance

From the outset, organizations need to put in place the right governance to ensure their operating model is consistent with their purpose and values. They should ask themselves: How should we organize the workforce and transition the way work is done? What can we do to foster an environment that promotes a culture of experimentation and innovation? How can we introduce faster decision-making and approval cycles to adapt and respond at speed? How do we continually measure our performance and progress on achieving our goals?



Take a two-pronged technology approach

Seventy-seven percent of executives believe their technology architecture is critical to the overall success of their organization.²¹ So, making the right moves when it comes to technology is nothing less than “make or break.” This can necessitate taking a two-pronged approach: modernizing by making investments in intelligent technologies such as Cloud, AI and blockchain; and at the same time evaluating existing systems to make sure they’re being “sweat” as much as possible to achieve maximum return. Leading companies take this approach on an ongoing basis, incrementally evolving their capabilities to help them realize the full value of technology innovation.²²



Configure and reconfigure

Introducing smaller, multi-disciplinary teams (referred to as “squads,” “pods” or “cells”) that operate like discrete businesses within the organization can help boost agility and responsiveness. These squads, built around specific objectives, products or services, are available for the organization to “plug and play” at will. Bringing together varying skillsets these squads break down functional silos and hierarchies and help drive innovation and customer engagement. Each squad can apply the right approach for the outcomes they seek. However, speed and agility are not achieved by simply moving everyone into squads. The core building blocks of a company’s operating model must be able to continuously configure and reconfigure with the right structures, processes and technologies to meet changing customer needs.



Invigorate the ecosystem

It's time to take a fresh look at what each ecosystem partner has to offer. What are their strengths and weaknesses? What new services, capabilities and channels can they offer to help achieve long-term objectives? How can partners help drive innovation, develop new products and services faster, enter new markets and be more agile? It's not about cost anymore. It's about working creatively with partners to maximize opportunities.



Decision-making at the edges

Empowering the organization with the ability to share real-time data across the enterprise boosts collaboration and drives better decision-making "at the edges" of the organization, in areas closer to the customer. This requires not only the right technology tools; it requires the right practices. Inherent in this: Allowing employees to act with more autonomy and make decisions on what they see in the data.



Reskill, reskill, then reskill again

Reskilling the workforce can never be "one and done." Instead, companies need to develop a culture of continuously adapting and building the skills of their people. Of particular importance is providing the workforce with the skills required to work with the latest technologies, creating a Human+ Machine collaboration mindset. **Eighty-six percent of executives** agree their organization must train its people to think like technologists—to use and customize technology solutions at the individual level, but without highly technical skills.²³ Consider consumer goods and chemicals giant, Henkel. They've implemented a digital learning platform to digitally upskill their workforce and to foster a culture of life-long learning.²⁴



Resilience now and in the future

Companies looking to gain the resilience and agility that the competitive environment demands—in the short- and long-term—need to focus on their operating models. Specifically, that means harnessing insights, structuring and reskilling the workforce, and reinvigorating partnerships to maximize organizational flexibility. Those organizations that successfully marry these characteristics with a sense of purpose at the core can position themselves to navigate marketplace disruptions and achieve long-term sustainable growth.

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