



## Operations excellence in the age of uncertainty

Addressing challenges with strong capabilities

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# We live in an age of disruptive change

## Redefining operational excellence in the age of uncertainty

An array of trends influence operational designs: stressed economic systems; volatile resources markets; heightened perception of enterprise risk; currency swings; political uncertainty; shifting global demographics; changing consumption; evolving demand for sustainable living; and explosive growth in information and media.

We can discern five key trends affecting operations:

### **1. The runaway consumer**

A new type of consumer is emerging – frugal, considered and social. The implications on price, revenue, funding and margin are great, with knock-on pressure driving demand for cost efficiency. Social media magnifies potential reputational risk. Operations must respond, finding ways to be more efficient and transparent.

### **2. Interconnected outcomes and controls**

The Global Financial Crisis (GFC) highlighted businesses' exposure to the degree of interconnectedness between organisations, sectors and economies, resulting in tightening regulatory constraints and demand for greater transparency and accountability. An enforced price on carbon means energy efficiency across the value chain is crucial.

### **3. The new rules of competition**

Facebook is a retailer and grocers sell insurance; utilities are becoming information brokers and hospitals are the fastest-growing sector in the adoption of tablet pc-enabled services. The rules have changed. Boundaries between traditional channels and businesses have collapsed. The transformation of operations through service technologies and the arrival of global competitors online have changed the face of competition.

### **4. Too much of a few things...**

More than half of the world's computers aren't traditional computers – they're smart phones, tablets, gaming platforms and mobile devices of every kind. Mobile applications are boosting the productivity of knowledge workers and condensing the value chain. It's hard to get a firm understanding and plan on how and where to use the right enabling technologies and approaches.

### **5. ...not enough of most**

This trend results from the four outlined above. The changing influence of new consumption, increased controls, universal competition, and ubiquitous computing are driving down revenues and funding while driving up the cost to serve the new, demanding consumer.

The interplay of these forces makes it harder for organisations to operate, serve and succeed in the current climate.

Deloitte's Operations Excellence practice helps clients rise to these challenges, evolve required capabilities and deploy them efficiently. This document explains what we do, how we do it and who we are.

I hope it resonates with you.

**Bruce Williamson**

*Lead Partner*

Deloitte Operations Excellence Consulting

## Deloitte's operations excellence service portfolio

We work with organisations to help them respond in six key delivery areas, summarised below. Though often interconnected, each is a discrete service.

- 1 Enterprise transformation and productivity improvement**

Does your organisation have a shared understanding of the true drivers of value in your business and how they are performing in delivering your strategy? We help you identify the case for the right change, the levers for achieving it and how to define a pathway towards sustained, measurable improvement.
- 2 Supply chain optimisation**

Supply chain is increasingly becoming a key competitive battlefield. Whether it is guaranteeing security of supply and shortening lead times for major capital projects, aligning sales and operational planning to drive improved enterprise performance, or optimising cost and risk profiles across international supply chains, our unique analytics-driven approach provides insights that drive sustainable value.
- 3 Strategic sourcing and procurement**

Spend less to make more. Identify and evaluate the spend efficiency and process effectiveness of your procurement capability. Many organisations are now looking at strategic sourcing in a new light as a multitude of previous initiatives failed to sustainably deliver. Our team of Chief Procurement Officers and line-experienced executives can help your organisation deliver not only price point reductions, but more importantly, credibly address the key areas of direct materials and capital goods, along with demand management to make benefits stick.
- 4 Capital efficiency**

In asset- and capital-intensive portfolios, every decimal point of improvement can drive substantial gains in value. Optimal capital investment strategies accelerate the delivery of investment returns and defer expenditure. We help you strategically align capital-intensive projects by finding the right balance of risk mitigation, governance and cost controls.
- 5 Enterprise cost efficiency**

A full-service offering ranging from business process efficiency through to business model process redesign. We deploy Lean/Six Sigma, Kaizen and value stream mapping techniques to help you reduce spend, manage demand and drive operational cost efficiency in your organisation.
- 6 Sustainability**

It's not just about being green. Evaluation of the cost of energy, consumption efficiency, carbon content and cost are all significant drivers of competitive advantage. Our sustainability assessments help organisations improve their performance by taking an inventory of sustainability initiatives and determining a strategic approach to define, measure, prioritise and realise the benefits of enterprise sustainability.



### Enterprise transformation and productivity improvement

Keeping tabs on how well each cog in your operational environment is supporting your organisation's strategy is hard. As you pursue day-to-day operational outcomes and targets, there is often little time to 'look under the bonnet' to see how the engine's actually performing. In an age of disruptive change which demands foresight, agility and responsiveness, understanding the myriad of integration points and how to tune their performance to optimise operational efficiency is imperative.

Deloitte's Operations Excellence practice has developed a distinctive capability that rapidly assesses the drivers of value across the breadth of your operating model, refined with focused deep-dive diagnosis to drive precise actions with measurable outcomes. Our diagnostic services provide targeted visibility of operational performance, including front-line productivity, end-to-end process bottlenecks, relative cost performance, organisational accountability and misalignment between your operating model and corporate strategy. Beyond the diagnostic, our team has both the line and technical experience to drive sustainable change where it counts: in the line of business. Our services include:

- Business health diagnostics
- End-to-end process de-bottlenecking
- Front-line workforce productivity
- Visioning and implementation of new operating models
- Step-change transformation.

### Supply chain optimisation

Supply chain fulfilment is often the final part of the value chain and the 'make or break' component of overall customer satisfaction and business health, yet is often overlooked in favour of the 'front end' of the business. Our supply chain optimisation services help our clients redress this focus and 'get the balance right' between customer service requirements; working capital and fulfilment cost constraints; physical infrastructure and fixed cost base; inbound suppliers and outbound logistics service providers.

They include:

- Supply chain operational analysis, using Deloitte's proprietary DISC™ methodology
- Supply chain and distribution network strategy
- Sales and operations planning optimisation
- Logistics outsourcing – when and how to outsource, and how to improve under-performing third party logistics contracts
- Logistics and freight operations optimisation
- Demand planning, forecasting, process and systems improvements
- Supply chain collaboration
- Inventory cost reduction/optimisation
- Distribution centre and fulfilment operations efficiency
- Channel optimisation including cost-to-serve optimisation.

### Strategic sourcing and procurement

Our team of strategic sourcing experts drawn from chief procurement officer and line management roles are able to drive benefits from the full range of direct materials, strategic labour, sustaining capital, major capital equipment and major projects expenditure. Such benefits include total cost of ownership reductions, lead time reduction, improved security of supply, improved quality service levels, as well as superior risk management.

We also help clients transform their procurement operations (including procure to pay, contract management, vendor management, information management and performance management) by building internal procurement capability to enable our clients to generate value in the long term.

The range of our services includes:

- Strategic Sourcing Services – extending beyond supplier price negotiation to take into account the total cost of ownership to generate immediate client value using a tested six-step methodology
- Procurement Transformation Services – developing end-to-end procurement processes integrated through the organisation to realise business benefits supported by appropriate technology
- Supplier Relationship Management – helping clients to move from a ‘one-size-fits-all’ transactional relationship to managing a differentiated portfolio of partnerships, based on continuous cost improvement and pursuing joint opportunities for value realisation including innovation.

### Capital efficiency

The explosion in capital projects is not just a resources phenomenon. Utilities, telcos, healthcare providers and governments are also investing massively in technology-enabled infrastructure to support new operational models. Efficiency in capital spend is paramount. We help clients optimise value from capital projects from the very outset by answering four key questions:

- How can project plans be strengthened to manage critical risks to value?
- What due diligence is needed to determine that financial models, key decisions and project assumptions are robust?
- What actions are required to capture upside value above the baseline business case?
- How does the business ensure that capital projects are ready for sustainable operations post commissioning?

Our services include:

- Investment risk analysis (using stochastic assessment techniques to overlay traditional methods)
- Value case assurance

- Upside value capture, including value engineering of pre-feasibility and feasibility stage designs
- Optimised business cases
- Ongoing assurance and value realisation support
- Operational readiness planning and transition support.

### Enterprise cost efficiency

While Australia was spared the worst of the GFC, we have emerged into an environment characterised by heightened risk awareness, a wave of new regulatory initiatives and financial restraint. Each of these trends exacerbate the existing operational delivery pressures. Deloitte’s Enterprise Cost Efficiency Services help clients deliver more with less by eliminating costs and making operational dollars stretch further. We focus on five areas for operational cost efficiency, ranging from the tactical to the strategic:

- Spend reduction and demand management
- Business process efficiency
- Infrastructure rationalisation
- Efficient service delivery modelling
- Business model redesign.

These services are underpinned by a range of efficiency techniques and tools we have incorporated into our approach, including:

- Lean/Six Sigma
- Kaizen ‘blitz’
- Value stream mapping
- Continuous improvement tools.

### Sustainability

Sustainability is directly ‘bottom line relevant’ in a carbon-priced world. Deloitte helps clients to make their operations more sustainable and carbon efficient. We work on the principle that those with a strong understanding of the risks and opportunities of operating in a carbon-constrained economy will be well placed not only to shape the future direction of their sector, but to move ahead of the competition in a normal business environment.

Our services include:

- Carbon footprint evaluation
- Operational cost of carbon modelling, across the entire value chain, including suppliers and service delivery partners
- Carbon price exposure risk modelling
- Carbon cost optimisation
- Operational waste reduction and improved process and systems sustainability.

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# Deloitte helps clients to make their operations more sustainable and carbon efficient

# Deloitte's operations excellence practice

## Key contacts

Enterprise transformation, productivity improvement and enterprise cost efficiency



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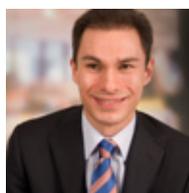
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