strategy&

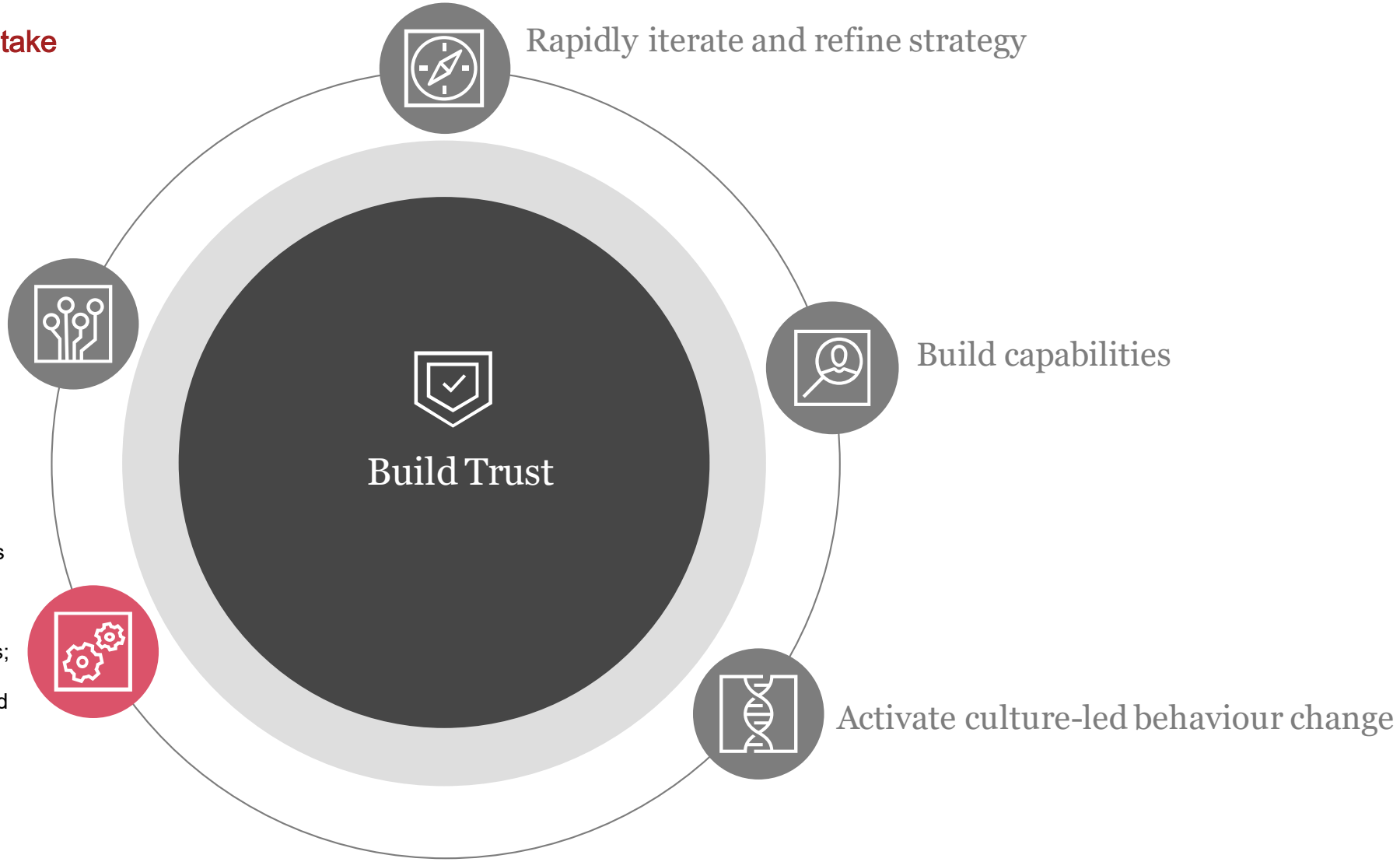
Part of the PwC network

Reimagine your operating model

June 2020

Reimagining your operating model is critical to becoming *Fit for Recovery* and emerging stronger post COVID-19

What actions should companies take to become Fit for Recovery?



Reimagine your operating model

Use contemporary, digitally enabled business models; Adapt to flexible and remote working; Identify and address global/regional vulnerabilities; Understand and adapt to shifting government and regulatory mandates; Transform the front office and customer experience; Redefine functional models; Build "smart" resilient supply chains.

Source: Strategy& Analysis

In particular, the post-crisis reality will challenge today's operating model across a number of dimensions

Considerations for Crisis Impact on Company Operating Model

Trends	Before Crisis	Post Crisis
1 **Contemporary, digitally enabled Models**	• Cost efficiency based on scale and low cost operations • Low cost centralised HQ and G&A functions	• Digitally enabled models that align to the needs of the business & customer • Highly agile, adaptive processes
2 **Workforce Flexibility and Functional Models**	• Demanding more flexible and meaningful work and career models • Upskilling of people to function effectively in changing roles	• Acceleration of remote & flex work models • Accelerated digital upskilling along with strengthening competencies to collaborate, empathise, connect and build trust
3 **Front Office & Customer Experience**	• Outsourcing and offshoring for "lower value", or labor intensive processes • Large retail networks, focusing on face-to-face service delivery	• Repatriation of key offshored service delivery functions • Reduced retail networks with increase focus on online and virtual customer experiences
4 **Back Office Digitisation**	• Core ERP transformation • Process automation and analytics • Targeted use of AI, sensors, IoT	• Rapid intelligent automation • Scaled up data security and remote working • On-demand, end-to-end predictive insights at scale
5 **Integrated Supply Chain**	• Low end-to-end supply chain transparency • Centralised supply networks with limited segmentation	• Smarter supply chain networks with end-to-end transparency • Increased planning and execution flexibility • Segmentation to increase resilience

Source: Strategy & Analysis

Six archetypal contemporary organisational models should be considered in a post COVID-19 economy

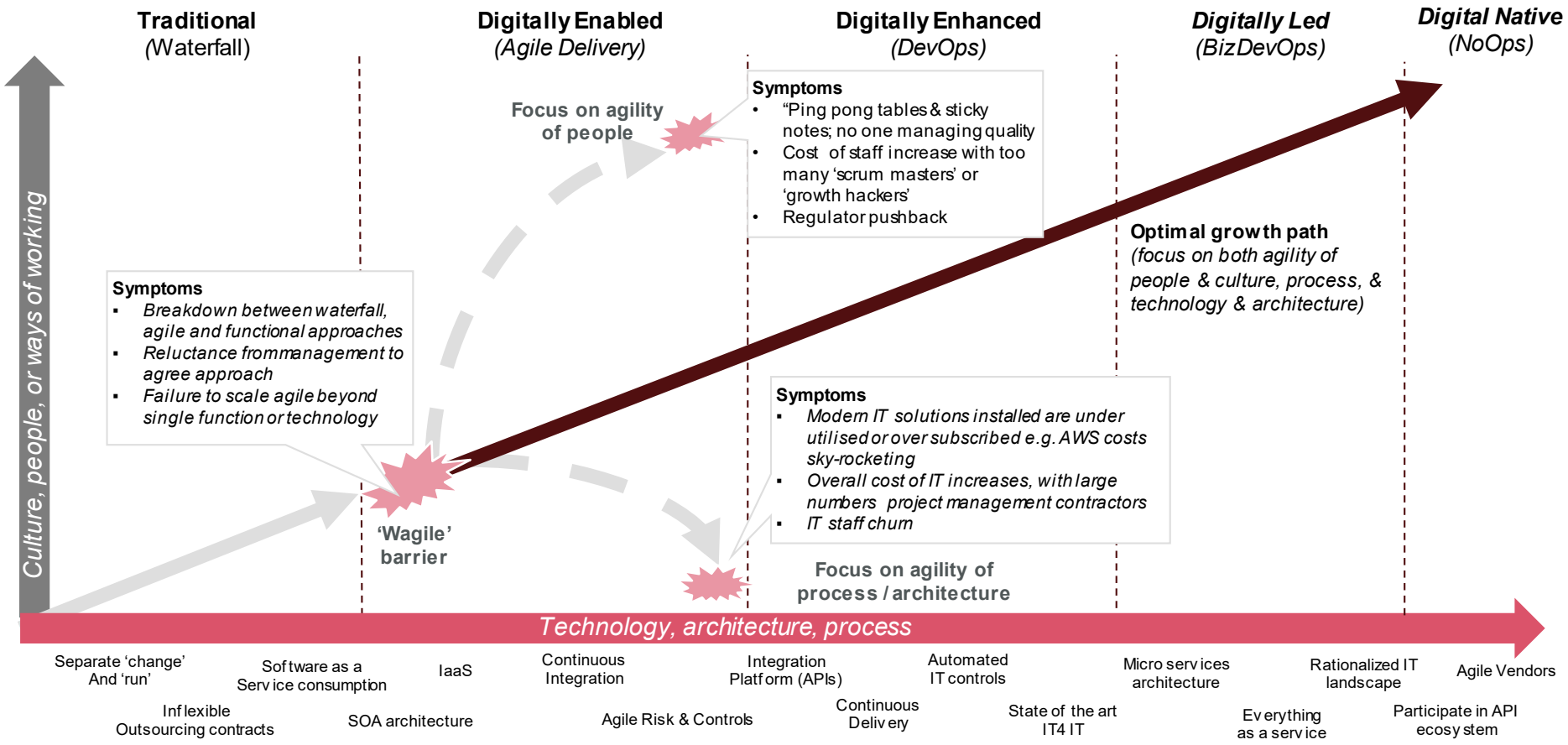
The new organisational forms[1]

	Multi-Dimensional	Holocracy	Open Source	Platform Based Ecosystem	Value Based Ecosystem	Agile
Description	• *Client as profit center* • *Manage all dimensions*	• *Consent based circles* • *All involved in governance*	• *Volunteers* • *Enlightened Dictatorship*	• *Single platform supports multiple value props* • *Standardised Contracts*	• *Ecosystem delivers single value proposition* • *Customised contracts*	• *Multifunctional teams* • *Tribes /Squads / Chapters*
Applicability	• Multi product, multi-brand, multi-unit, multi geography firms • Clients need integrated solutions • Departments are interdependent	• Routine operations • Flows of similar tasks are optimised • Limited need to co-create a process with clients • Increase entrepreneurship in sales & marketing	• Software product more important than speed • Builders are users • Tasks can be broken down into logical discrete activities • High intrinsic motivation	• High economies of scale or network effects exist • Standardised interfaces for all partners (APIs) • Clients are able to integrate complementing services themselves	• Client demands integrated solution to complex problem • No one firm can deliver on its own • High economies of skill • Partners have a high level of collaborative behavior	• Product environment; non routine operations • Developing information products • Unclear solutions, high interaction with the user

1) De Man AP, Koene, P, Ars M, (2019), *"How to survive the organisational revolution"*, Amsterdam, BIS Publishers

The optimal glide path to transition to a contemporary model balances people and technology improvements

PwC Strategy& Approach to Contemporary Operating Models



- Builds alignment of management around the digital aspirations of the business
- Drives through the "wagile" barrier
- Ensures that people and technology change at the same rate within the business to drive benefit realisation
- De-conflicts and centralises multiple technology, cost out, people & culture programs running at the same time
- Regularly measures impact, risk and safety to maintain the optimal digital growth path
- Communicates early and often how digitisation is improving the business with practical and relatable examples

Source: Strategy & Analysis

Flexible work models will adapt and become established as the new way of working, impacting real estate models

Shift in Real Estate and Remote Working Model

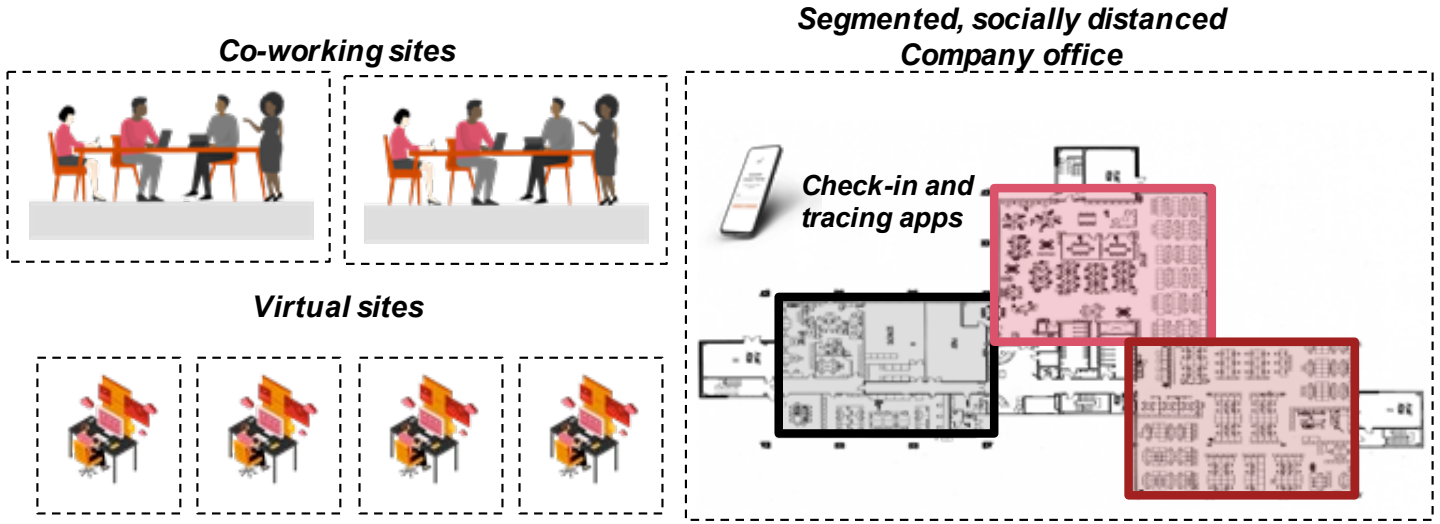
Where

Flexibility

Company office
- Operated by the company or fully dedicated serviced office
- Flexible workspaces with employees assigned 'neighborhoods' rather than specific desks

Co-working sites
- Drop-in membership space operated by a third party service provider
- Maximise real estate portfolio flexibility
- Managed cost
- Maintain employee collaboration opportunities

Virtual sites
- Work from home or any other location
- Employees work remotely using their company devices



Target State

- Rapid transition to enable remote working with appropriate systems and processes to enable continuity, productivity and information security
- Mixture of remote working models, including co-working sites and virtual sites
- Company office with tailored workspaces and meeting areas for different groups to limit spread and provide appropriate environment per group
- Initially, increased space allocation per individual (e.g. 4m^2 per person), but over time reduced need for office space for all employees
- Tracking / tracing technology to ensure safety and manage utilisation

Source: Safe Work Australia - Remote and Isolated Work; Strategy & Analysis

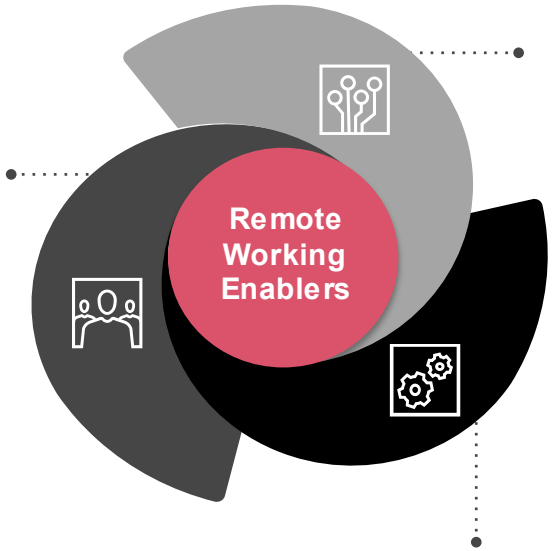
If managed properly, the transition to greater workforce flexibility will deliver organisations significant benefits

Transitioning to the future of work

How

Culture & People

- **"Remote by default" -** build a culture where virtual interaction is the norm
- **Leaders role model behaviors** that prioritise remote interaction
- **Practice patience;** eliciting responses remotely requires more reaction time
- Make time for **social interaction**



Tools & Technology

- To collaborate on documents or deliverables, utilise **live file sharing and editing** (e.g., instead of email attachments)
- Leverage **informal comms channels** (e.g., internal IM) for simple contact points
- Use **video conferencing** (e.g., through software tools, AV-equipped meeting rooms, and laptops with cameras)
- Record and **manage knowledge centrally**
- Establish **data security tools and processes**

Work Processes & Communication

- Establish a **communication cadence** (e.g., daily check-ins) and **communication norms** – e.g., "4HrR" (4 Hour Response) or "NNTR" (No Need To Reply) email tags
- Make time to **recognise and celebrate** wins and achievements
- Apply consistent and transparent **performance measures**
- Set **guidelines around availability** (e.g., remote doesn't mean "always on") **and information sharing** (e.g., mechanisms for brainstorming, sharing outputs, mutual learning)

Benefit

EVP
- Improved choice - "where/how I choose to work"
- Increased work life balance
- Greater mobility

Productivity
- Virtual environments can enable focused work and drive increased productivity

Inclusiveness & Diversity
- Increased inclusion of employees with disabilities or geographic constraints

Agility
- Improved resilience and flexibility when operations are disrupted

Access to Talent
- Increased access to employees away from urban and employment hubs

Real Estate Footprint
- Reduced real estate costs due to smaller physical footprint

Service delivery disruptions will force organisations to change the way they engage and serve their customers

COVID is driving four key disruptions in service delivery ……

1. **Accelerates digital adoption e.g. from a 3 year timeframe to a 1 year timeframe**
2. **Increases uncertainty for channel sustainability and the need to support priority stores**
3. **Increases market volatility, and therefore the need for agility and optionality**
4. **Increases risk associated with offshoring core services**

… forcing companies to adapt their retail network, digital platforms and contact centres

Retail Network

- **Drastically consolidate stores** into fewer 'experience centres'
- **Store buy-back program** for branded stores in critical geographic locations
- **New store formats** such as pop-up, kiosk, concessions, virtual stores, to radically variablise cost base to align to changes in customer demand, e.g. new regional growth, channels preferences
- **Restructure incentives & commissions** to incentivise digital adoption, GCM, and drive focus of customer experience outcomes
- **New sales experiences** such as drive thru click & collect, home delivery, store-based digital human

Digital

- **Integrated Artificial Intelligence agent** to act as digital concierge on smart speakers, company app, website, mobiles, chatbots, in store to triage customer enquiries and guide consumer experience
- **World-class purchase experience** through 2-hour metro delivery door-to-door (e.g. Amazon Flex / UberEats)
- **Touchless fulfilment**

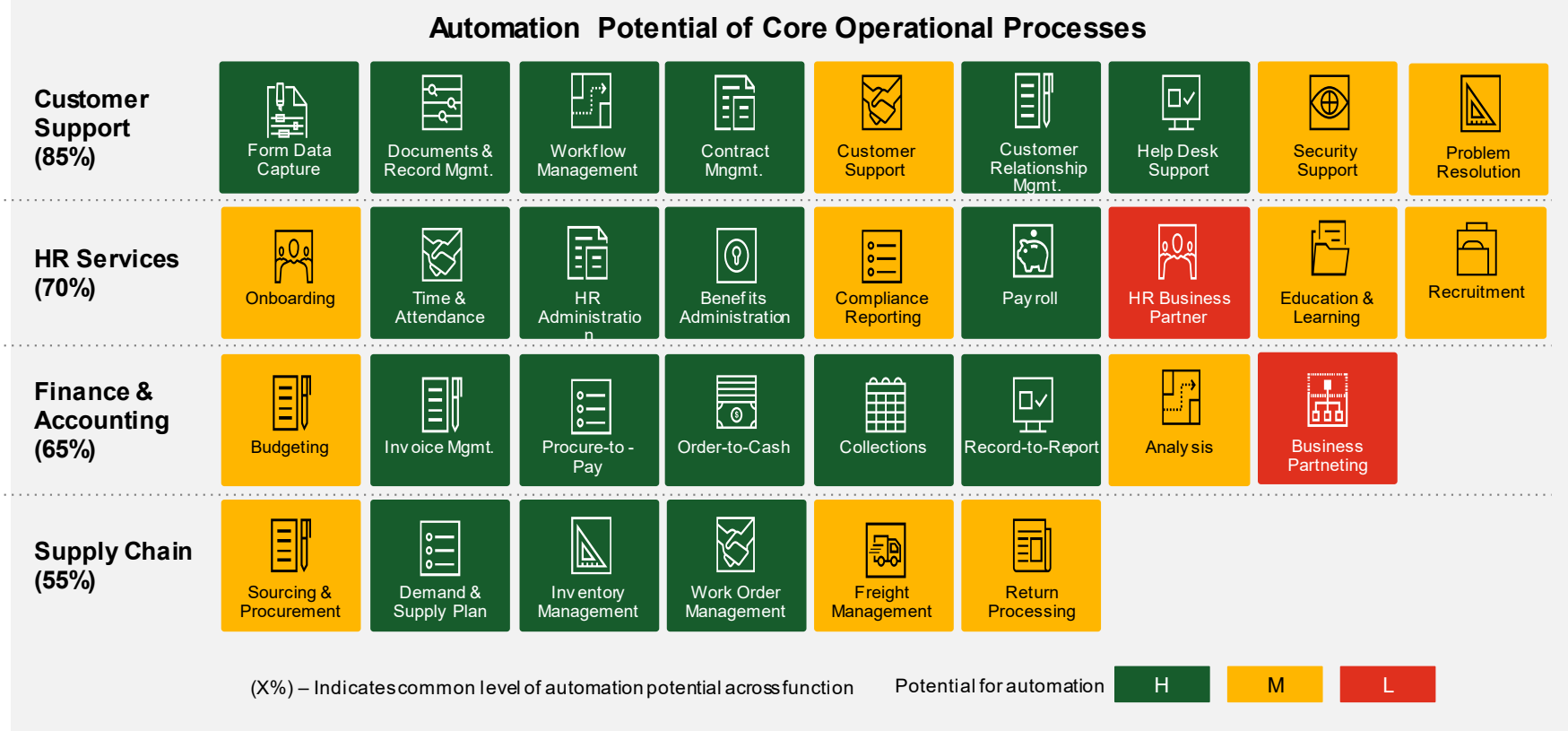
Contact Centres

- **Repatriated voice services** to deliver high-value sales and service support aligned to premium-brand and build goodwill through job creation
- **Appointment-based calls** to enable leaner agent workforce
- **Attract diversity of talent** in tier 2/3 cities with work-at-home-agents geographically & demographically matched to customers
- **Differentiated service experience** based on customer-value
- **Frictionless experiences** with click-to-call, voice authentication
- **Constant AI powered call recording and after call work analysis** to provide real-time continuous improvement and fine tuning of contact routing and handling

Source: Strategy & Analysis

Structural changes will require accelerated moves towards automation and digitally enabled operations

Acceleration of Digital Levers



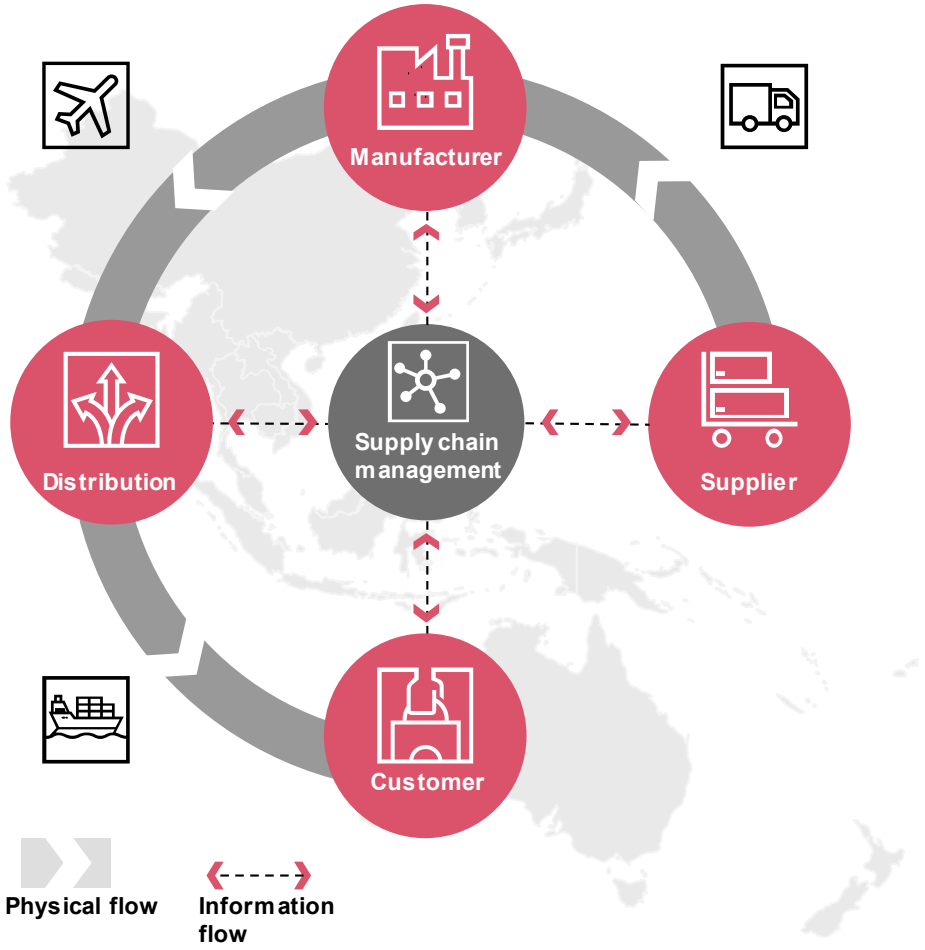
Discussion

- Additional **costs of resilience** will need to be compensated for by accelerated automation and process transformation
- A **combination of digital levers** will be needed, including **Big Automation** (e.g. ERP) and **Intelligent Automation** (e.g. RPA, targeted cloud based solutions)
- The **business case for digitisation will expand** beyond cost reduction to include business continuity, operational flexibility and the enablement of new revenues via digital business models

Source: Strategy & Analysis

Supply network disruptions mean organisations must move quickly to build new, smarter and more resilient supply chains

Connected, Autonomous Supply Chain Ecosystem



Resilient Supply Chain Capabilities

Transparency and sustainability	Helps to identify and manage risks associated with origins of supply and potential alternatives to minimise the impact of supply chain shocks
Closed loop integrated planning and execution	Planning synchronised in near real-time with execution to build a connected supply chain that is reconfigurable to the changing environment
Smart logistics flow	Connects suppliers, manufacturers, customers and carriers interactively to withstand shocks
Dynamic supply chain segmentation	Segmentation strategies allow for adaptation to market conditions and product specifics

Key Enabler

AI-driven supply chain management	AI uses machine learning to build resilience through proactively modelling new risks and costs with ML-driven risk evaluation tools

How will you reimagine your operating model to be Fit for Recovery?

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