



RESILIENT ORGANIZATION FOR SUCCESS

RESILIENCY IN MANUFACTURING
COMPANIES PROMOTES
SUSTAINABLE OPERATIONAL
OUTPERFORMANCE

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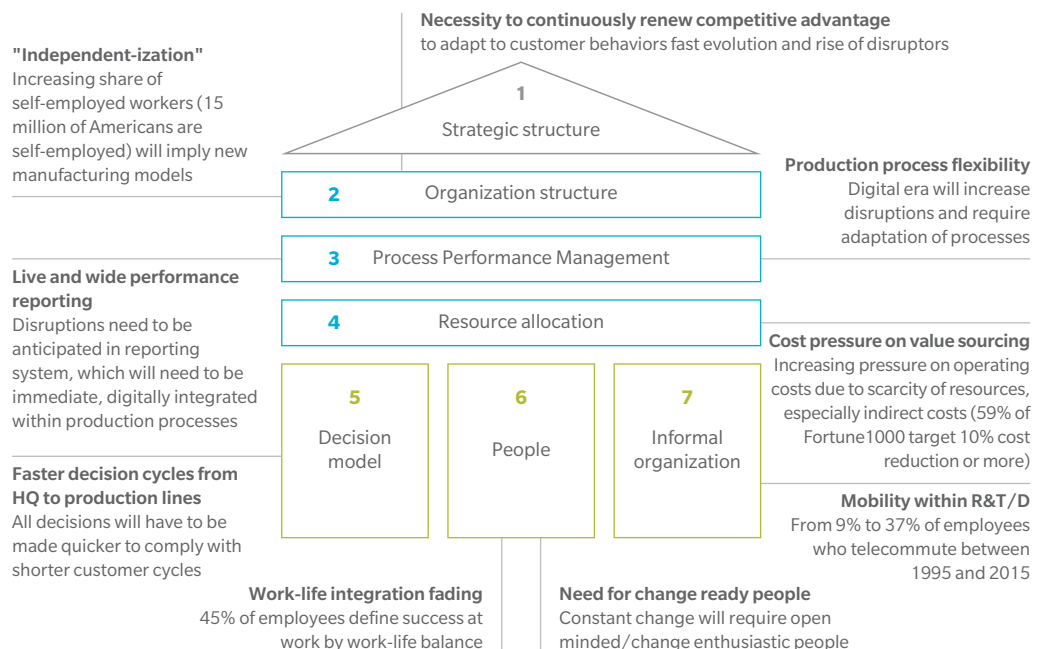
The world today is changing faster than ever before – and in the future, the rate of change will be even greater than it is now. To survive in the long run, companies will have to continuously renew their competitive edge and build sufficiently resilient organizations to enable this capability.

Resiliency has become an imperative for manufacturing organizations, both in their supply chain and within the production lines. Elementary Performance Units (EPU) methodology is a way for designing resilient organizations that are customer centric, circular, innovation oriented, open – and successful!

MANUFACTURERS MUST LEARN TO ADAPT AND PROFIT FROM INCREASINGLY UNCERTAIN ECOSYSTEMS

The megatrends transforming our society show that tomorrow’s companies will evolve in increasingly uncertain ecosystems, where disruptions will be more frequent and resources less available. This will impact the way they organize – and this trend will be even more so the case in the manufacturing world. Indeed, most companies face the rise of digital disruptors, scarcity of natural resources, ecosystems at risk, natural disorder, and asymmetric conflicts in developing countries. But manufacturing companies are also disrupted by the acceleration of innovation, embodied by digital, smart devices and infrastructures, Industry 4.0, and autonomous vehicles. (See Exhibit 1.)

Exhibit 1: Rising challenges for manufacturing organizations



Source: Oliver Wyman analysis

Manufacturing companies are more and more intertwined with their external ecosystems through open innovation, scientific marketing, social business, or immediate delivery. All dimensions of manufacturing companies are impacted: supply chain must recover from more frequent natural disorder and product development; innovation cannot go without intrapreneurship anymore; and manufacturing processes, often located in developing countries, are more and more automated, while value sourcing is now tantamount to using new materials and diversifying energy sources.

Most companies are now reacting. Mercer, a sister company of Oliver Wyman, reports in their *Talent Trends 2018* study that 96 percent of executives are planning structural changes this year, and they predict 20 percent of job roles to cease to exist within the next five years. The share of executives that declare that workplace flexibility is a core part of their stated value proposition has risen from 49 percent in 2017, to 80 percent in 2018, and flexibility is a necessary ingredient of resiliency.

ELEMENTARY PERFORMANCE UNITS: THE BUILDING BLOCKS FOR RESILIENCE

Consequently, organizations will have to withstand frequent change in their ecosystem and continuously renew their competitive advantage. Indeed, resilient organizations are the ones capable of sustainably thriving in an environment of uncertainty because they keep serving their purpose and values, and remain customer centric under any conditions. These manufacturing companies can anticipate, absorb, and accommodate any change or disturbance to recover their operational equilibrium, or move to a new one if needed. This is only possible thanks to an agile organization where each dimension and component are resilient in themselves.

10-20%
time gains
in decision
making after
organization re-
design

We are convinced that using Elementary Performance Units – a concept of decentralized, self-governing organization bricks – is at the heart of resilient organization design. These EPUs are the lowest level elements within the organization, to which profit and loss responsibilities can be delegated, as for instance in project organizations. These are the smallest relevant bricks on which an organization can be redesigned. When all the EPUs of an organization connect to each other, they collectively form the core business of the company and connect to all other key company functions that have no P&L responsibility.

This “distributed autonomy” leads to a maximum of performance commitment by the EPU’s individuals and fosters intrapreneurship, empowering employees towards a greater involvement and a positive culture. The concept has proven effective to realizing the economic benefits sustainably. As a matter of fact,

resiliency requires customer centricity and awareness of any change of conditions and EPU-based organizations can immediately ideate a local solution based on the best combination of organizational, accountabilities, and management model changes, as per the intuition of the top executives Mercer has surveyed.

SIX GOLDEN RULES FOR ACHIEVING RESILIENCY

To achieve resiliency, companies need to follow six agile principles: **1) Customer centricity** must be the central element of a circular design. Only then the organization will quickly detect shifts in end-consumer behavior and demands. **2) Short decision loops and governance paths** will enable rapid interpretation and reaction to any changes, from strategic marketing to production lines. **3) Bottom-up design** allows all levels of an organization to become a part of these decision-making processes, creating the urge to engage and commit to success. **4) A culture of innovation anywhere and everywhere** is key for teams to be further motivated, collaborate, and use digital technology with a view to accelerate time to market. **5) Orientation towards business results**, eased by a distributed autonomy, is required to trigger continuous improvement and positively impact business and operational performance. **6) Effective organization and process convergence** enables visibility and control of R&D, supply chain, manufacturing, and value sourcing.

Following these golden rules towards resiliency generates significant operational gains and contributes to sustain any manufacturing competitive edge. For instance, decision-making lead times are reduced anywhere from 10 percent to 20 percent in the wake of such organization transformation. As there is no doubt that the manufacturing environment is evolving faster and faster, manufacturing companies' surely need to shift to more resilient organization designs.

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