

How to retool operations to keep up with your customers



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Whether your industry has been relatively stable or has rapidly shifting trends, you've noticed that it's getting harder to carry out a strategy. Digital technology has heightened customer expectations and affected how they perceive value. No matter where you work, your company needs to evolve — or risk being outperformed by competitors.

To that end, successful companies are reimagining operations and working across functional teams, according to [PwC's 2015 Global Operations Survey](#). These companies — which represent about 15 percent of the 1,262 business leaders surveyed — also are facing the future with less fear.

"The ones where strategy is clearly aligned with operations do significantly better from a shareholder viewpoint than those where it's poorly aligned," says survey author Rodger Howell, a partner in PwC's Strategy&.

According to the survey results, it's an exciting time for operations leaders who are influencing and driving their company's future like never before. They are cultivating a coordinated set of operational strengths based on what customers want and developing these into a cohesive company-wide strategy. Following are three core focus areas of COOs and other operational executives, as revealed through the survey.

Learn what customers value

The fast pace of the digital age is changing customer expectations rapidly. And when customer behaviors change, the entire organization is affected.

Despite access to reams of data, 63 percent of business leaders surveyed say that understanding what customers truly value remains a challenge. Just 25 percent feel confident that their operations provide customers with a valuable and distinctive experience, and 61 percent worry that changes in customer behavior will be a disruptive factor in their industry during the next five years.

The digital world "puts the consumer in the driver's seat," says survey author Patty Riedl, a partner in PwC Strategy& who focuses on the retail and consumer goods industries. For example, sites offering customer reviews enable retailers to capture and share both positive and negative information, which can then be used to create a seamless experience, Riedl says.

Two key customer desires identified in the [PwC survey](#) are an easily searchable company website and having desired items in stock. Successful companies need to invest in shoring up these areas, all while managing costs and creating an environment where evolving to meet the demands of the customer is not insurmountable.

Collaborate on cross-functional teams

While businesses are realigning their operations with customer demands, 61 percent of the respondents say a key to success is increasing collaboration across functional silos.

But that may be easier said than done. Just 36 percent say they have set a few clearly defined priorities and expect everyone to work together toward achieving them. Others work in traditional silos, with managers in production, supply chain, marketing and other divisions making independent decisions.

Change has been incremental. In the past 10 years or so, companies were focusing on effectiveness and efficiency within silos, using techniques such as lean manufacturing, Riedl says. Now, "lean" is evolving into a more cross-functional concept. For example, having a lean supply chain means starting with a simpler, leaner product design that results in fewer rejects, lower cost and higher quality.

Some leading companies are organizing operations around products rather than company departments, Riedl says. For example, an apparel company working on a collection might create a cross-departmental team composed of a designer who knows fashion trends; a sourcing expert who knows manufacturer capabilities across the globe; and a marketer who knows how to price, merchandise and promote products to maximize sales.

"Today, these functions, and others, collaborate very closely to bring the collection to life. In the past they operated in isolation, passing information across the fence but not sharing knowledge," Riedl says. Digital tools let them work together across offices — or even continents.

Focus on a few capabilities

According to the [PwC survey](#), many leaders say they are focusing on a few closely linked capabilities to stay resilient in the face of change, says Howell.

The most important capabilities are those that are unique — an extraordinary competence that few others can master.

"Though that focus can be tough with legacy systems in place, change does not have to take place all at once," Howell says.

"Successful companies understand that if they change some things just a little bit faster, they can get ahead of the competition. You have to be dynamic, not static," Howell says

The 15 percent of companies that have aligned operations with strategy have several things in common. They are focused on providing a unique customer experience their competitors can't match, and they express more confidence in achieving revenue and cost targets and adapting to change.

Behind the confidence lies a framework built for success.

"They have great analytics to support decision-making," Howell says. "They measure and reward people for performance. And they develop a better understanding of customers, which drives loyalty."

The key takeaways for your company

Ask yourself what makes your company unique, are you offering the right products and services for your customers — ones your customers value, and are you making investments in operational capabilities that will create and maintain your competitive advantage?

—Teresa Meek, *Tribune Content Solutions*