



# **Emerging Stronger in 2021**

## **What's Next and How to Handle It**

***Bevington Group “What’s Next” Series***

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[www.bevingtongroup.com](http://www.bevingtongroup.com)

Business Model Design • Process Improvement • Change Management

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# Our Context

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## Expecting the Unexpected

# Uncertainty is the new normal

- ? What impact will vaccines have?
- ? Will we have herd immunity or partial herd immunity?
- ? Will borders between states normalise?
- ? Will we have to rethink our “federalist model”?
- ? What will happen with China trade tensions?
- ? What does the confusing US context mean for us?
- ? Will inflation re-emerge?
- ? What will happen to Australia with dramatically reduced immigration?
- ? What does a lower cost of capital mean for investment?
- ? How will our supply chains change?
- ? Can we sell what we have to other countries?
- ? How fast can green technologies become economically viable and stable to support a low carbon economy?
- ? AND..... So much more

The real challenge, of course, is that many of the answers to the above questions interact with each other



# But we might just be seeing the emergence of a new age of productivity

- ❑ On 16<sup>th</sup> January, 2021 the Economist led with an article titled “The Roaring 20s – Towards a New Era of Innovation”
- ❑ The argument was that governments and companies have been dragging their feet on real innovation over the last 10 years because of a focus on short-term results
- ❑ Yet, the COVID crisis has created an opportunity for the promise of innovation to actually be realised with companies around the world now displaying a willingness to reorganise and invest for a long-term future

## Supporting this opportunity are trends such as

Rapid biomedical developments inspired by need (COVID)

Accelerating progress in AI

Continued investment in alternative energy sources

- ❑ This encompasses



R&D – global spending is accelerating and government is investing in pure science again



The application of already available technologies



The reorganisation of our enterprises and institutions for

- Resilience – being both fortified and adaptable
- Modernity – structures and processes that use new technologies effectively

# Is it even possible to have the Roaring Twenties?

- ❑ Towards the end of WW1 the Spanish Flu emerged as a deadly pandemic which targeted the apparently young and healthy
- ❑ It was devastating and a cruel tragedy following on so quickly from the mass deaths of the Great War
- ❑ Yet after the pandemic had subsided there was a renewed sense of optimism, and a spark in economic and social activity known as the Roaring Twenties
- ❑ The energy released affected science, the arts and the economy
- ❑ Some believe that the 2020s could repeat that pattern as we emerge from the global pandemic – ***there could be a new release of passion, energy and optimism***
- ❑ Others believe that ***long-term damage will have been done to our economies and our social infrastructure*** (e.g. lockdowns being applied as a result of policy errors further undermine faith in our some of our institutions)



# Where might this play out?



Digital customer engagement accelerates



Automation – more robots in both hardware and software



AI and Big Data – we have only just scratched the surface



Space travel – which traditionally leads to a raft of breakthrough technologies



Health sciences such as RNA technologies



## Meanwhile...

- The likes of Elon Musk, Richard Branson and (at home) Andrew Forrest are creating enormous excitement and providing role models for aspirational change – even if they generate as much criticism as praise
- Abundant sources of funding are driving both increased Private Equity activity (and it's endeavours to make companies more productive) but also increased Venture Funding for the early stages of investment

# It is no longer true that “innovation” just means FAANG

- ❑ Investor expectations might well **drive corporate behaviour towards innovation**
- ❑ Already it is clear that you can do much more than just invest in FAANGs (Facebook, Amazon, Apple, Netflix and Google) to get innovation
- ❑ ARK is a fund manager with listed funds that invest in companies that drive “**disruptive innovation**”

ARK defines “**disruptive innovation**” as the introduction of a technologically enabled new product or service that potentially changes the way the world works.

Companies within **ARK Innovation** include those that rely on, or benefit from, the development of new products or services, technological improvements, and advancements in scientific research relating to the areas of:

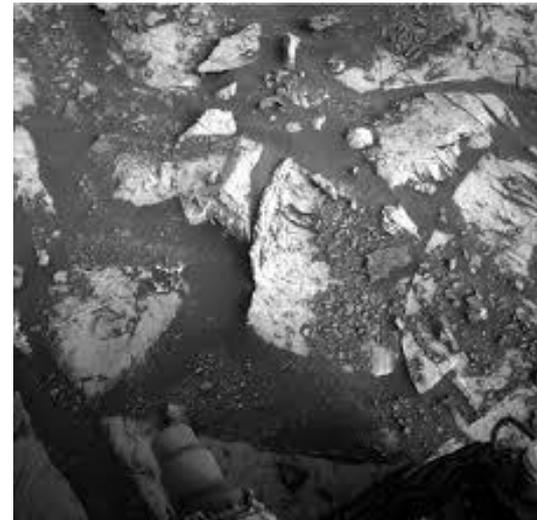
- DNA technologies (“**Genomic Revolution**”)
- Industrial innovation in energy, automation and manufacturing (“**Industrial Innovation**”)
- Increased use of shared technology, infrastructure and services (“**Next Generation Internet**”)
- Technologies that make financial services more efficient (“**Fintech Innovation**”)



**Catherine Wood is CEO and Chief Investment Officer**

## For example – 2021 is going to be a big year in space

- ❑ To tweak the orbit of an asteroid's moon that is nearly as big as a stadium, America's NASA plans to launch a car-sized craft to smash into it the following year
- ❑ NASA also plans an un-crewed flight around the Moon
- ❑ NASA will work with space agencies in Canada and Europe on the launch of the *James Webb Space Telescope*, the biggest and priciest ever
- ❑ India may put three astronauts into orbit.
- ❑ India and Russia aim to launch lunar landers
- ❑ China will begin launching parts of its next and biggest space station, *Tiangong-3*.



Source: Economist, Nov 2020

# For example – health sciences are experiencing a new dawn

- New “gene savvy” approaches to medicine from vaccines to cancer treatments

Digital medicine for diagnosing, monitoring and even delivering care



Massive supply chain shifts as countries consider their “medical security”



The application of science to what we eat – e.g. growing meat in a petri dish



New models accelerating, such as radiologist working from home centres



New processes for “mass vaccination”



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**So, what are leading businesses and institutions doing now?**

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**Carpe Diem**

# Well many are taking the opportunity to become more resilient

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## Fortifying the organisation

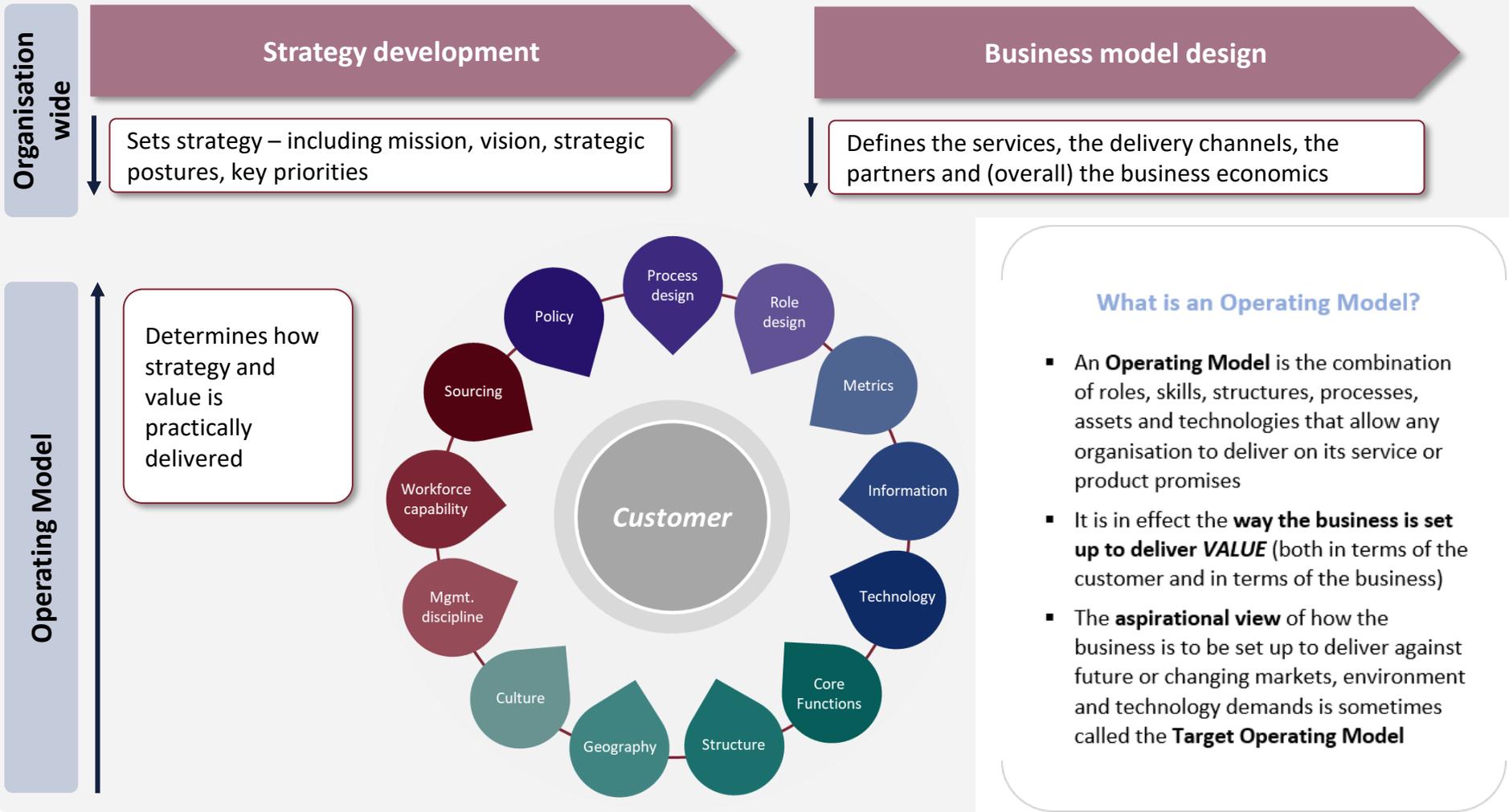
This is done in a similar way to that considered for specific risks, but now you are thinking about much more generic strategies such as having reserve cash - because money buys you time



## Increasing organisational adaptability

When faced with an unexpected challenge the organisation can develop and implement plans to survive, even thrive – agility and adaptability are forms of resilience

# The examples that follow are combinations of strategy, business model and operating model change



## What is an Operating Model?

- An **Operating Model** is the combination of roles, skills, structures, processes, assets and technologies that allow any organisation to deliver on its service or product promises
- It is in effect the **way the business is set up to deliver VALUE** (both in terms of the customer and in terms of the business)
- The **aspirational view** of how the business is to be set up to deliver against future or changing markets, environment and technology demands is sometimes called the **Target Operating Model**

# Organisations are considering how they secure their future 10+ years from now

## ❑ With a sense of drama....

- Andrew Forrest has announced a new future for Fortescue Metals Group – one which embraces clean energy
- Risking COVID (which he did catch) he did a global trip to find and secure opportunities in 2020 – which might come to fruition over the next 10 years



## ❑ Practically

Supply chains (e.g. **Australia Post**) are restructuring to improve efficiencies such as automated sorting centres, digital investments to support supply chain design and optimisation (including new assets)

Supply chain changes for “**near sourcing**” is happening in small shifts in many industries

Retail companies (e.g. **Coles**) are embracing rapid automation which changes their models

- Home delivery, pickup and also dramatic automation of supply chains



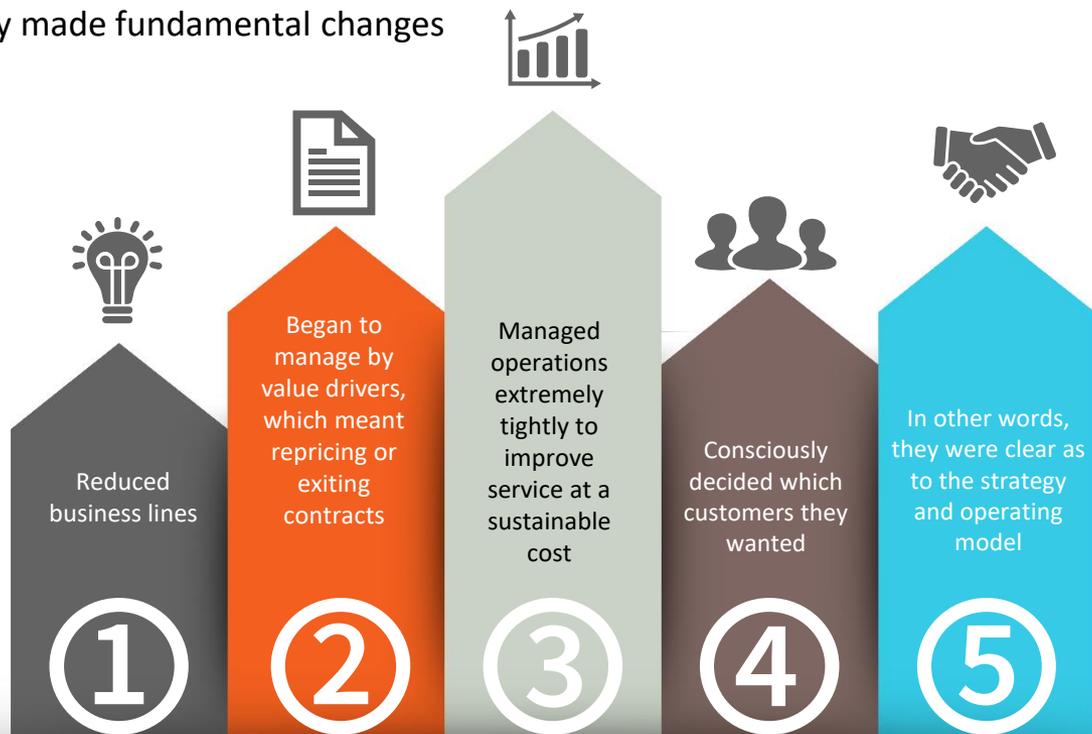
Companies like **Premier Investments** can now go global even harder with a successful online model

Finance companies such as **Athena** showing that radical automation in “older products” such as mortgages is possible

Organisations are seeking to create a “platform edge” (e.g. **Kogan**)

## Case Study 1: Regaining Focus

- ❑ Company 1 is an industrial services provider operating multiple lines of business
- ❑ During COVID revenue went up, but profits did not grow commensurately
- ❑ After review the following became apparent
  - The lines-of-business operated by the enterprise did not have the synergies that were assumed
  - It was hard to be “great at everything” – either because of capital constraints or simply management time
  - The underlying economics of the different services were not entirely clear, leading to a tail of unprofitable customers
- ❑ So, the company made fundamental changes



## Case study 2: Reimagining retail

- ❑ Company 2 is a successful multinational retailer, but initially grounded in physical retail operations
- ❑ When COVID hit the organisation had to “hard stop” their physical retail operations
- ❑ The decision was made to rapidly (even aggressively) expand the online retailing presence (mirroring a number of US playbooks of the GFC)
- ❑ This meant that the organisation has had to change it’s operating model to have deep capabilities in
  - 📱 Online retailing
  - 🚚 Logistics
  - 📈 Predictive modelling
- ❑ The consequences for this organisation and the industry are deeply compelling



- ❑ This also implies a deeply enhanced level of international cooperation

## Case study 3: Keeping the law working

- ❑ Traditionally courts very much operated by physical presence
- ❑ Yet, prior to 2020 there were, in many jurisdictions, attempts to move to video-conferencing
  - This presents less risk (e.g. moving prisoners to court and back)
  - It reduces costs
  - It may help reduce the stress on victims
- ❑ Previously it had proved challenging to get traction with video-conferencing for legal proceedings
- ❑ The pandemic provided a fabulous opportunity for multiple jurisdictions to go hard at conducting court matters via audio-visual links (because it was the only way)



## Case study 4: Repurposing your product

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- ❑ This particular enterprise was producing personal breathing equipment before the pandemic
- ❑ The end-uses were varied, but there was a focus on the mining sector
- ❑ When it became apparent that personal protective equipment (PPE) for hospital use was either in short supply OR was inadequate in it's design, the company saw an opportunity
- ❑ It determined that this equipment could be used by intensive care practitioners to dramatically reduce their risk of infection
- ❑ This was considered to be particularly important, but there was a possibility (that did not transpire) that we did not have enough trained practitioners to deal with the potential caseload for intensive care – a problem which would have been mightily exacerbated if they got ill
- ❑ So, the company switched its focus and purpose, through
  - Collateral
  - Marketing engine
  - Sales team



## Case Study 5: Shrinking the waste, growing the core

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- ❑ One web-centric provider entered the pandemic with growing revenues, but also increasing competition and a heavy cost burden
- ❑ The company decided that it needed to “bite the bullet” to reduce complexity
  - **Marketing and account management streamlined**
  - **Finance simplified**
  - **Operations refined**
- ❑ Essentially, if it was not absolutely necessary then it was removed
- ❑ After this stage the company started to consider how it’s model could service other needs
- ❑ So, **expansion followed simplification**



## Case Study 6: The model leap that matters in superannuation

- ❑ This super fund announced it was replacing it's platform to be more



*Customer centric* (e.g. timeliness, accuracy, channel flexibility)



*Efficient* (e.g. reducing the administrative costs per member)



*Adaptive* (able to be adjusted and developed at a sustainable cost as the world inevitably changes)

- ❑ In order to do so it had to deeply address it's operating model
  - Processes
  - Partners
  - Distribution of work
  - Measures
  - Policies
  - And more....
- ❑ Through a collaborative approach it has re-imagined it's model to be vastly more appropriate for an entity at scale



# The four steps to a reinvigorated future

01

Start with your strategy

- Reaffirm your purpose
- Develop a strategy with bite

02

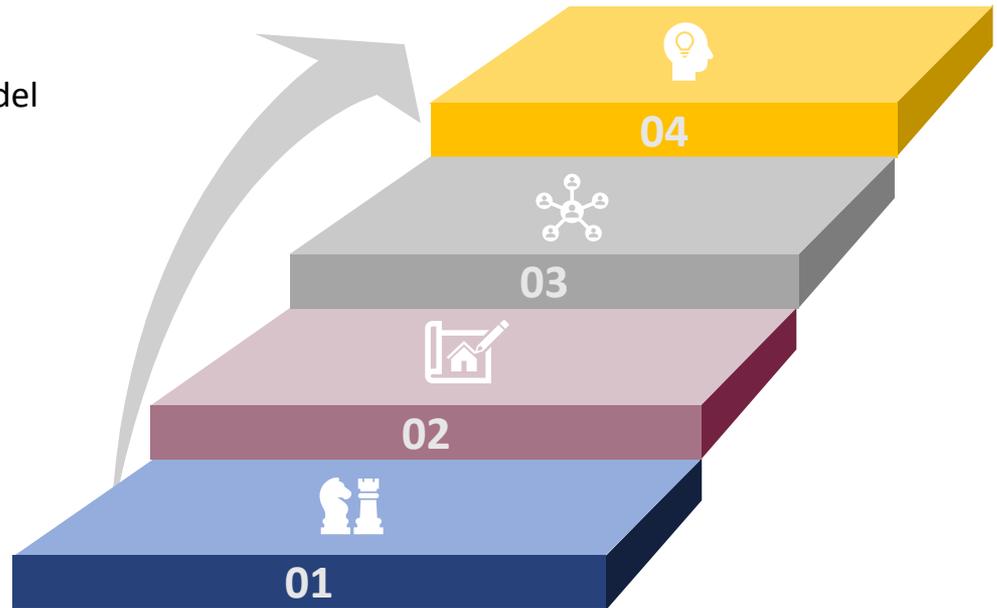
Design the Business model

03

Change or build the Operating Model

04

Learn as you deploy



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**So, what could you do?**

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**Upgrading the way we think about risk**

# Start with your strategy

1

First of all – be clear on your purpose – not always as easy as it sounds

2

Link purpose to the essentials

- Where to play (which markets, which customers)?
- How to win? (which distinctive capabilities)?

3

Use the Rumelt (2011) strategy development method – challenge / policy / implementation guide



## BEWARE

- A strategy that works requires insight (internal and external)
- It is not a laundry list
- *Strategy is the child of scarcity*

Understand yourself and your industry such that

- You can articulate a problem or opportunity – because you need clarity of thought
- You can articulate a policy – because “coordinated” activity is a key to success
- You can build a plan – because strategy without implementation is little more than vacuous prognostication

# Strategy needs to take account of accelerating megatrends – as well as industry specific evolution

## □ *Pre-COVID trends continuing and/or accelerated*

**01** Digital has been a priority, now even more so

**02** Data science capabilities are becoming essential

**03** Automation is becoming massively more attractive than offshoring

**04** Connected living and the internet of everything

**05** Enhanced humanity via human-machine synergies

**06** Rise of the platform economy

## □ *And more recently*

**01** Biological safety

**02** Supply chain security

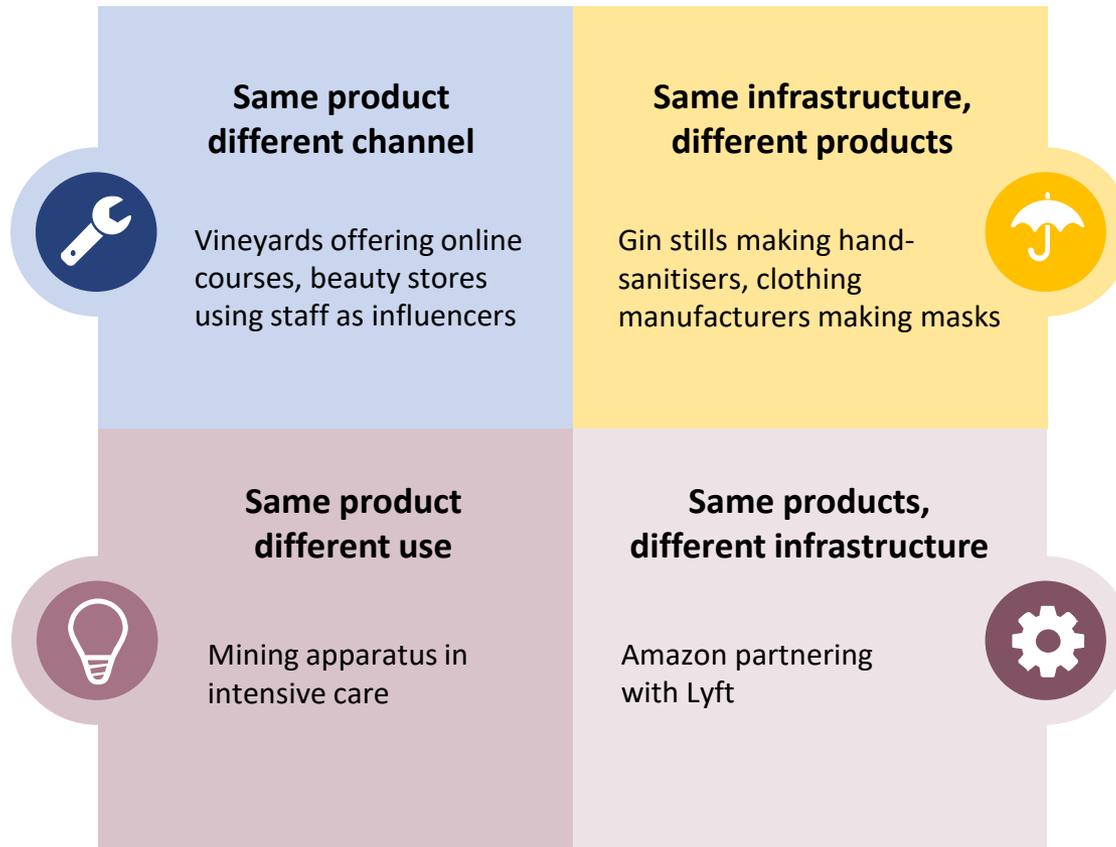
**03** Conversation in forward consumption

**04** Working from home

**05** Government everywhere

# Strategic adaptation can lead to new opportunities

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# Next address your business model

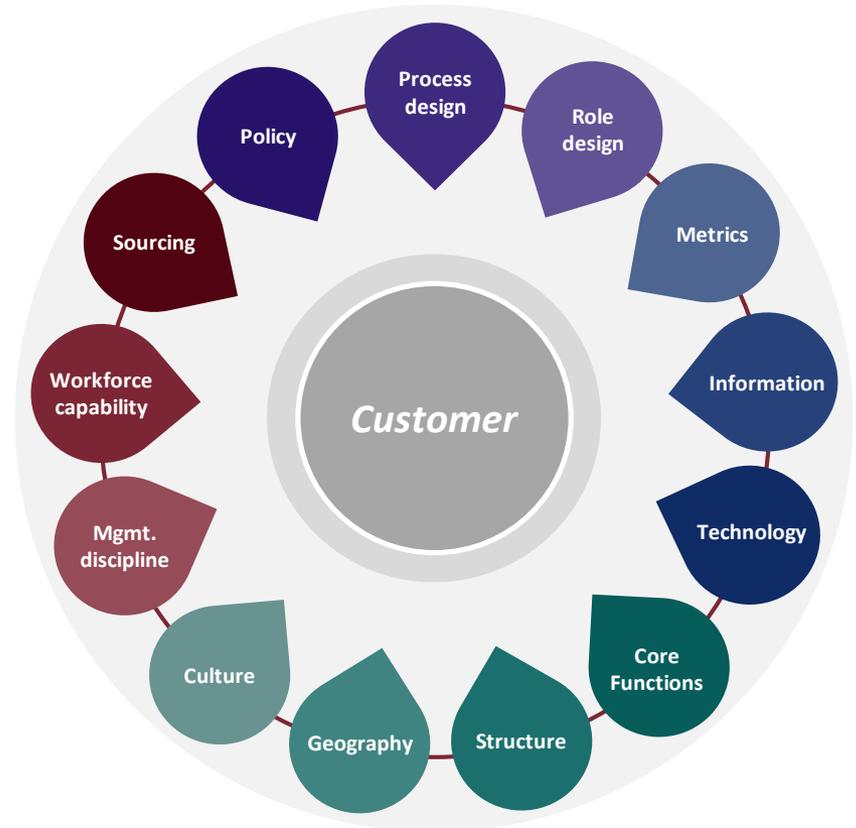
<p><b>Key Partners</b> </p> <p>Who are our Key Partners? Who are our Key Suppliers? Which Key Resources are we acquiring from partners? Which Key Activities do partners perform?</p> <p><b>Motivation for Partnerships</b> <i>Optimisation and economy</i> <i>Reduction of risk and uncertainty</i> <i>Acquisition of particular resources and activities</i></p>	<p><b>Key Activities</b> </p> <p>What Key Activities do our Value Propositions require? Our Distribution Channels? Customer Relationship? Revenue stream?</p> <p><b>Categories</b> <i>Production</i> <i>Problem Solving</i> <i>Platform/Network</i></p> <hr/> <p><b>Key Resources</b> </p> <p>Which Key Resources do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue Streams?</p>	<p><b>Value Propositions</b> </p> <p>What value do we deliver to the customer? Which one of our customer's problems are we helping to solve? What bundles of products and services are we offering to each Customer Segment? Which customer needs are we satisfying?</p> <p><b>Characteristics</b> <i>Newness</i> <i>Performance</i> <i>Customisation</i> <i>"Getting the Job Done"</i> <i>Design</i> <i>Price</i></p>	<p><b>Customer Relationships</b> </p> <p>What type of relationship does each of our Customer Segments expect us to establish and maintain with them? Which ones have we established? How are they integrated with the whole business model? How costly are they?</p> <p><b>Examples</b> <i>Personal Assistance</i> <i>Self-Service</i> <i>Automated Services</i> <i>Communities</i></p> <hr/> <p><b>Channels</b> </p> <p>Through which channels do our Customer Segments want to be reached? How are our Channels integrated?</p>	<p><b>Customer Segments</b> </p> <p>For whom are we creating value? Who are our most important customers?</p> <p><i>Mass Market</i> <i>Niche Market</i> <i>Segmented</i> <i>Diversified</i> <i>Multi-sided Platform</i></p>
<p><b>Cost Structure</b> </p> <p>What are the most important costs inherent in our business model? Which Key Resources are most expensive? Which Key Activities are most expensive?</p>			<p><b>Revenue streams</b> </p> <p>For what value are our customers really willing to pay? For what do they currently pay? How are they currently paying? How would they prefer to pay?</p>	

# Then it's your operating model

## What is an Operating Model?

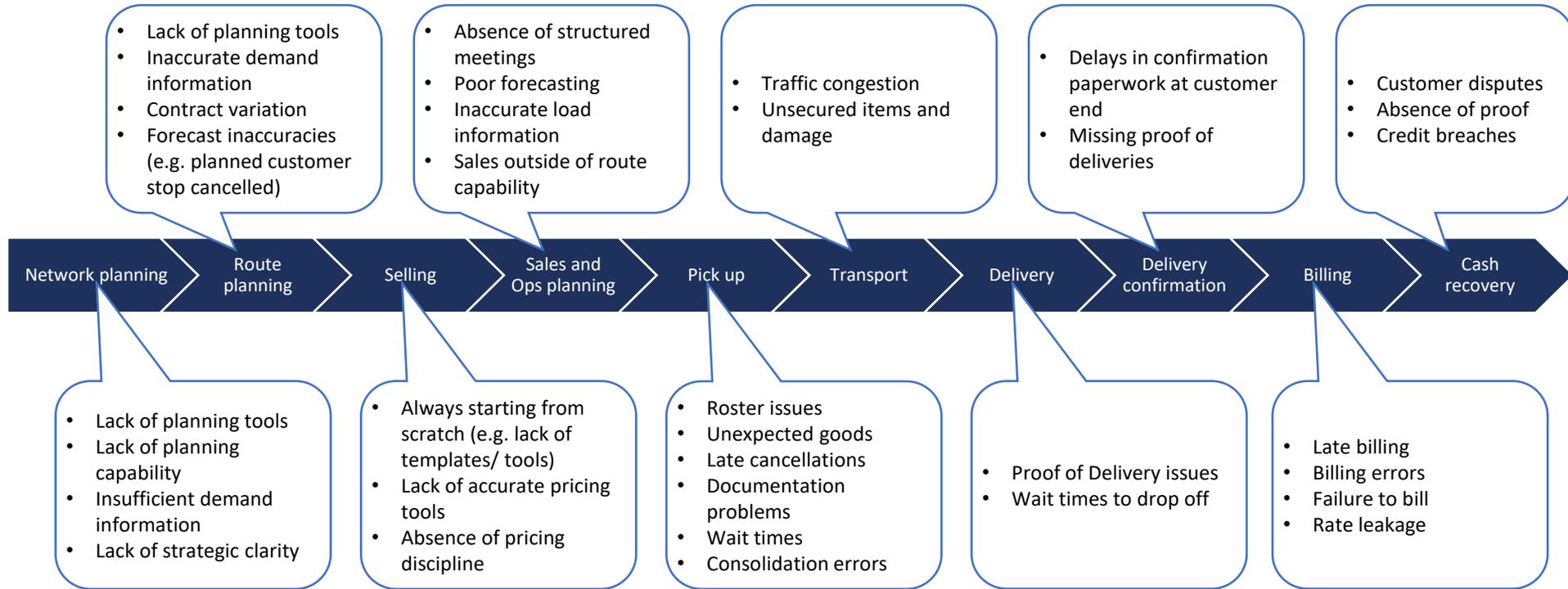
- ❑ An **Operating Model** is the combination of roles, skills, structures, processes, assets and technologies that allow any organisation to deliver on its service or product promises
- ❑ It is in effect the **way the business is set up to deliver VALUE** (both in terms of the customer and in terms of the business)
- ❑ The **aspirational view** of how the business is to be set up to deliver on Strategy is the **Target Operating Model**
- ❑ The Operating Model wheel is a useful tool to describe
  - What changes are being made
  - What are the primary impacts
  - Where there are secondary impacts on other areas

## Operating Model Wheel



# Start by creating value streams and understanding the implications

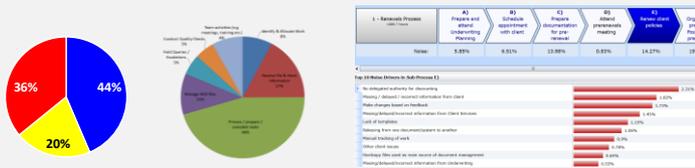
## Example Issues



# Each value stream ends in a customer – satisfying a want or need So we must look at the “inside” process as well as the customer experience

## Elements of current state review

### Operational Process Review

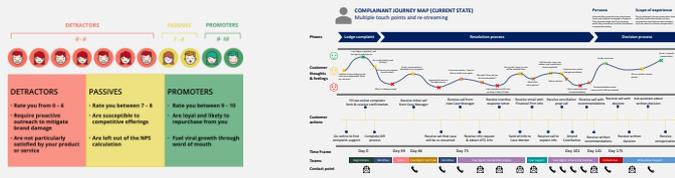


## Expected outcomes

### Outcomes

- ✓ Understood staff focus of effort
- ✓ Understood levels of Noise/Waste
- ✓ Identified causes of Noise and opportunity areas
- ✓ Quantified improvement opportunities

### Customer Journey Mapping



### Outcomes

- ✓ Understood customer needs to inform
  - Development of Design Principles
  - Future process and control framework design
  - Alignment of technology modernisation and the path forward to improved customer experience outcomes

### Value Stream Mapping



### Outcomes

- ✓ Understood gaps and improvement areas across the value stream, particularly for more effective regulatory control and compliance practices

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# Resilience and Risk Practices

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Upgrading the way we think about risk

# Some of the advice we can offer addresses

1. Leadership models



2. Simplification



3. Focus



4. Risk Intelligence



5. Embracing “antifragile” concepts



6. Strategy B thinking



- People first
- Megatrend planning
- Resilience to accelerated change

7. Operating Model Design and scenario planning



8. Business model flexibility



# LEADERSHIP: Think about your leadership model

- ❑ Appropriately ***distributed authorities*** such as ***Mission Directed Leadership models***
  - Authorities are put close to the action
  - Leaders are given clarity on Mission, Rules and Guidelines
  - Leaders adapt by deciding on the best courses of action consistent with Mission and Guidelines without breaking the rules

## Mission Directed Leadership

### Mission Statement

- Should provide the reason for the organisation’s existence
- Should act as an overarching *guiding star*
- Should encapsulate customer service and other strategic imperatives

### Command and Control

#### Rules:

- Black and white
- Should be used sparingly

Objective  
Command

- Simple process
- Legal
- Safety
- Risk

## Mission Directed Leadership

#### Guidelines:

- Less rigid than rules
- Should be used liberally to empower staff

Subjective  
Empowerment

- Complex process
- Provides flexibility
- Enables tailored customer service
- Creates a customer centric culture

with **accountability** and **capability**

## Key elements of MDL model

Ensure staff members understand and buy-in to the “mission”

Provide a clear decision making framework (with clear distinction on rules and guidelines, and training)

Ensure teams have the information they need

Ensure people have the authority to act

People have the skills to detect changes in critical systems and processes

Trust needs to be maintained – transparency is key for this

Enable staff to grow and develop

## Auftragstaktik

**Emphasis on mission**

**Subordinate leaders** need to understand the intent of the orders (mission)

**Subordinate leaders** need to be given proper guidance (guidelines)

**Subordinate leaders** need to be trained and developed to act independently

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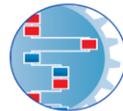
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## BUSINESS OPERATING MODEL DESIGN



- 1. Operating Model Design**
  - Create an aspirational view of how the enterprise will deliver against future expectations
- 2. Restructuring and Role Design**
  - Create structures and roles that sustainably deliver value

## PROCESS IMPROVEMENT



- 3. Strategic Lean Process Improvement**
  - Concurrently transform end-to-end processes, structures, roles and systems
  - Design radical changes aligned to customer outcomes and business strategy
- 4. Tactical Lean Process Improvement**
  - Deliver incremental lean process improvement
  - Use and teach a proven, client-centric, process improvement methodology

## CHANGE MANAGEMENT



- 5. Agile Deployment**
  - Deploy process changes rapidly to address top priority issues
  - Deploy technology solutions with Agile methods
- 6. Change Management**
  - Utilise and teach a structured approach to understanding the impacts of change and transitioning organisations to the future state
- 7. Connect Program**
  - Connect clients to each other
  - Understand and compare solutions from other industries
  - Inspire through knowledge transfer and networking events

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