

Australia's Productivity Challenge

A Bevington Group Vignette



Prompt: In the foreground: people in corporate attire sit at a boardroom table, planning together. Behind them, as if on a wall, are charts and diagrams representing sustainable growth. the style should be realist and modern, with a colour palette that creates an optimistic mood.

October 2024

BEVINGTON GROUP

PERFORMANCE OUTCOMES DELIVERED

Today we will cover...

1

Some financial pressures that are impacting many organisations today

2

An overview of some sustainable approaches you might consider

3

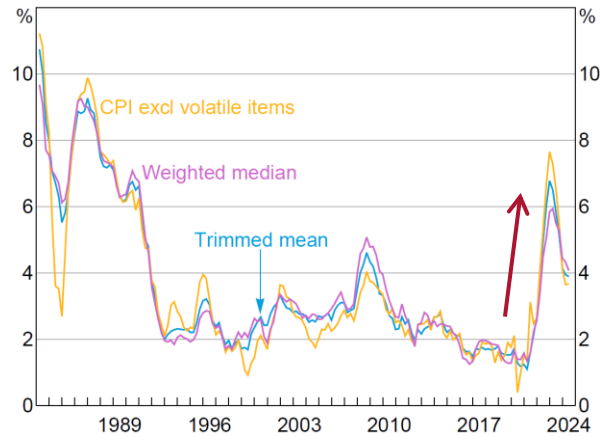
Key elements of these approaches, and how you may go about pursuing them

Financial pressures facing organisations today

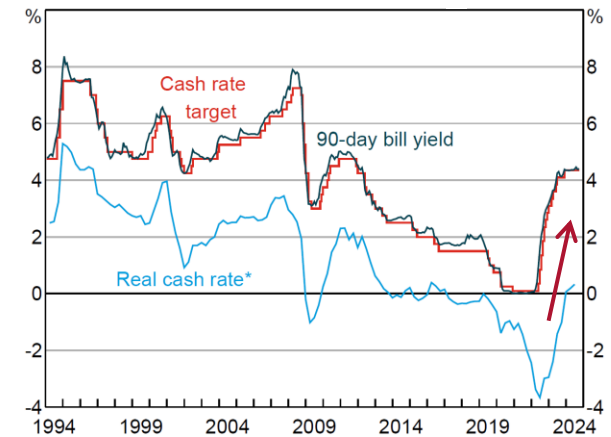
1

A combination of financial pressures are facing many organisations today...

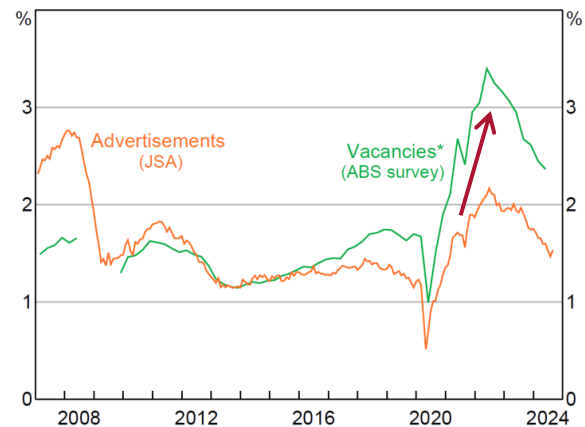
Inflation



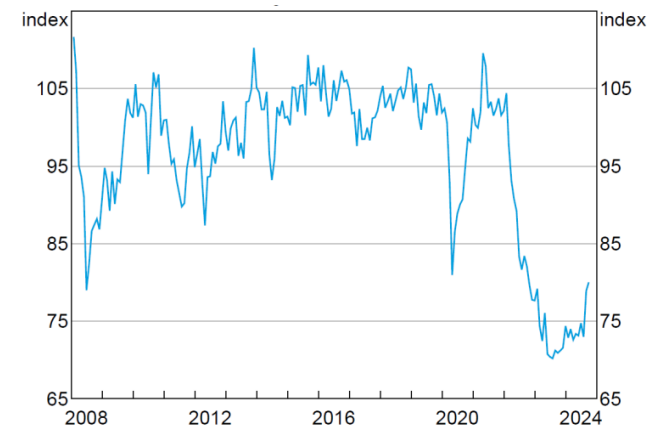
Rising interest rates



Labour shortages

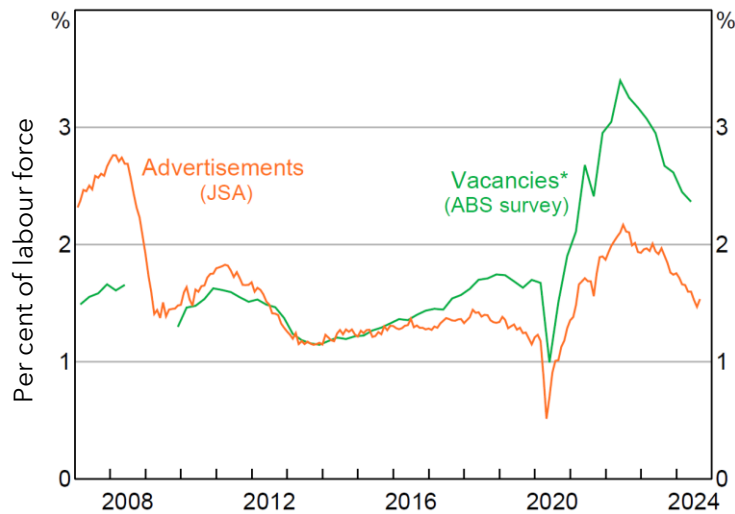


Poor consumer sentiment

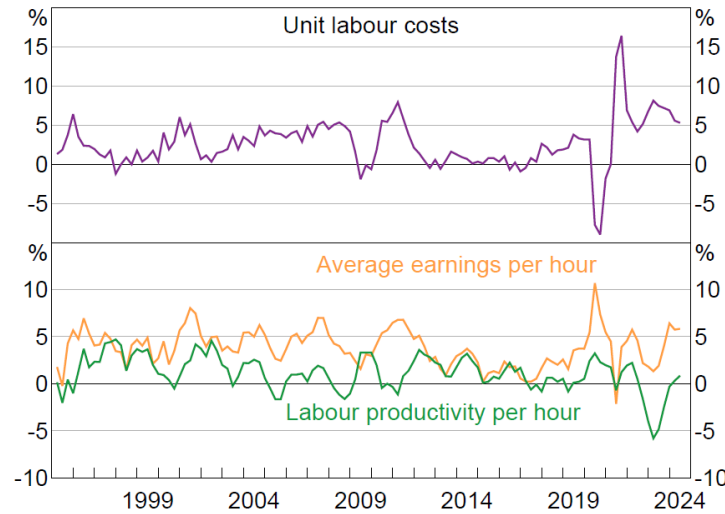


Many are feeling the impacts of labour cost pressures

Job vacancies and advertisements *



Growth in labour costs ~



Insights

- Job shortages and vacancy rates remain high, leading to sustained under-resourcing issues for many sectors and industries
- At the same time, organisations are getting less economic value from labour, since wage costs have increased (with the Wage Price Index rising by 0.8% for the June quarter and 4.1% for the year) whilst productivity levels have fallen

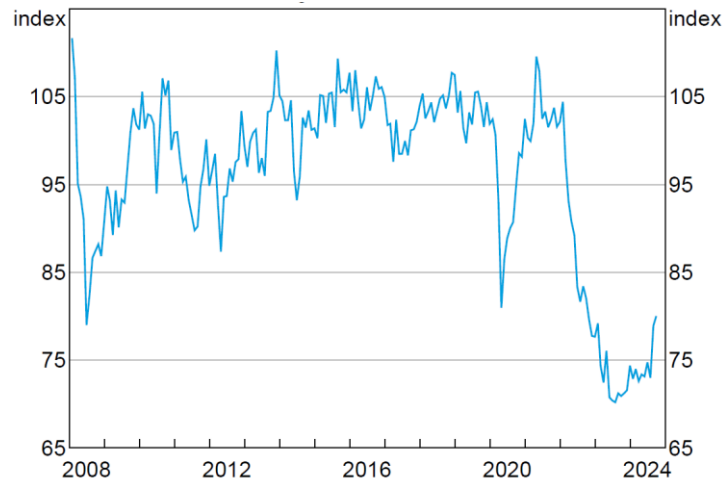
* This survey was suspended between May 2008 and November 2009.

~ Non-farm, year-ended

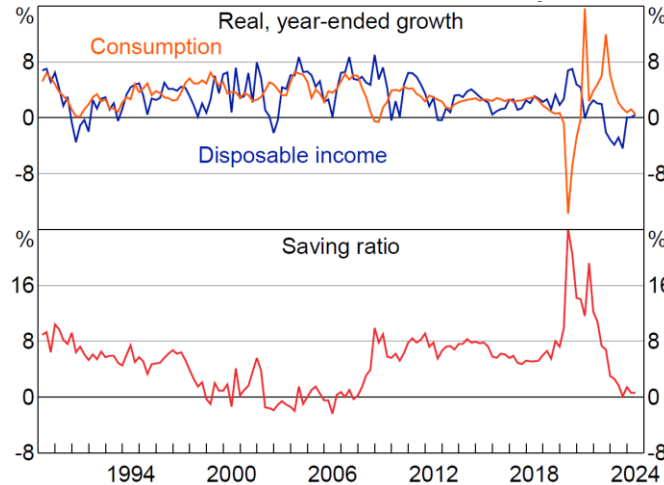
Sources: ABS; RBA; Jobs and Skills Australia.

Consumer sentiment is low, and some consumer segments will be under cost-of-living pressure

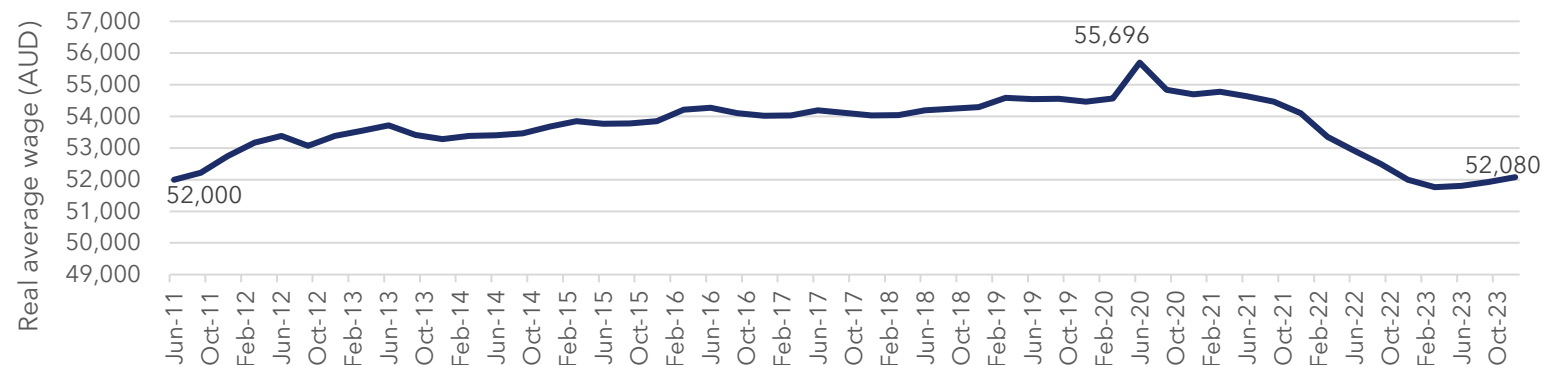
Consumer sentiment *



Household income and consumption ~



Average wage (in June 2011 dollars)



Insights

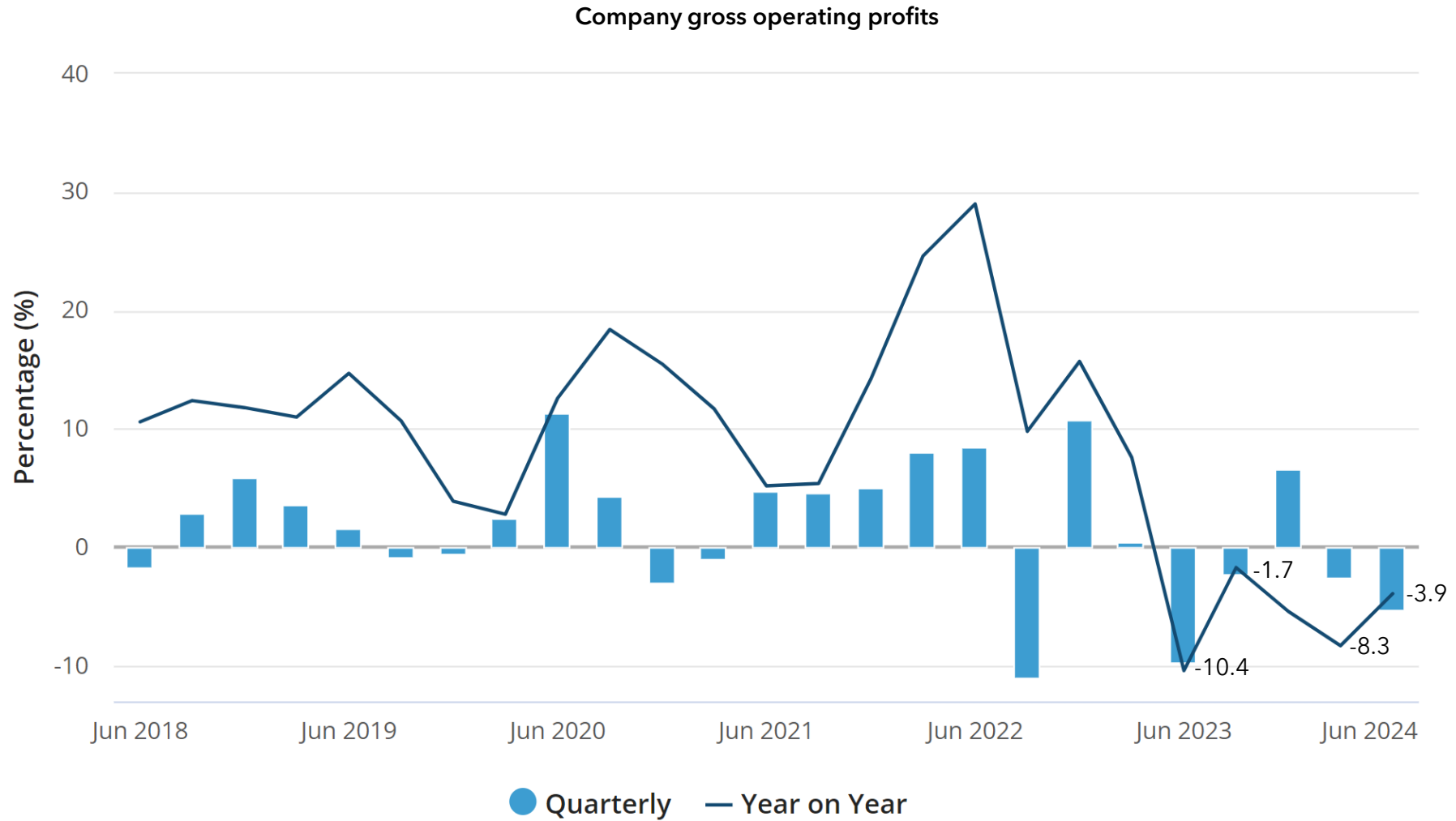
- Consumer sentiment has plummeted to levels far below GFC and COVID periods
- Falling real wages and rising interest rates have exacerbated cost of living pressures and forced consumers to spend more on necessities
- We are seeing no growth in disposable incomes and consumption, and a falling savings ratio (with households saving only 0.9% of their income over the year – the lowest rate of annual saving since 2006-07)

* Average of the ANZ-Roy Morgan and Westpac-Melbourne Institute consumer sentiment measure of respondents' perceptions of their personal finances relative to the previous year (average since 1980 = 100); ANZ-Roy Morgan index rescaled to have the same average as the Westpac-Melbourne Institute index since 1996.

~ Household sector includes unincorporated enterprises; disposable income is after tax and interest payments; saving ratio is net of depreciation.

Sources: ABS; ANZ-Roy Morgan; RBA; Westpac and Melbourne Institute.

These factors have been having a significant impact on the profit margins of Australian organisations



So, how can we respond?

2

We want to be careful, or even suspicious, of short-term thinking in our responses - certainly, we need to test for their ongoing impacts

- In this kind of turbulent environment, organisations often look to cut costs quickly
- Some actions taken may include...

Reduction of discretionary spending

Service level adjustments

Aggressive inventory management

Recruitment freezes

Pressuring suppliers

Rebalancing permanent / contingent workforce

Emergency price rises

Rapid restructures

- **Unfortunately, some popular approaches can have undesired medium- to long-term consequences**, harming organisational resilience and soon leaving the organisation in a worse place than it was to begin with

Elements of Organisational Resilience

Diversity

To create more ideas

Adaptability

So the organisation can respond to new pressures

Efficiency

To execute in an economically sound way

Cohesion

So even loosely connected parts can support each other

Source: Fiksel, J. (2003). *Designing Resilient, Sustainable Systems*. *Environmental Science and Technology*, 37(23), 5330–5339. <https://doi.org/10.1021/es0344819>

The good news is, your organisation almost certainly has inefficiencies that are independent of the current macro-economic climate

Common inefficiencies include:



Process inefficiencies



Capability gaps



**Excessive manual effort
(no automation)**



Flexibility challenges



Ineffective structures



Legacy technology challenges

Addressing these inefficiencies can provide a sustainable solution that helps you navigate the currently tough environment, while also setting you up for greater success in the future...

Bevington Group recommends adopting rational, strategic responses based on the nature of the issue



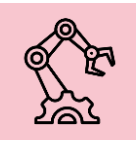
Process inefficiencies



Process re-engineering



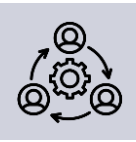
Excessive manual effort (no automation)




Process automation



Ineffective structures



Restructuring (within operating model redesign)



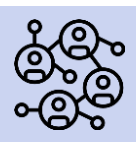
Capability gaps



Role re-design (possibly with restructuring)



Flexibility challenges



New ways of working



Legacy technology challenges



Modern architecture & AI*

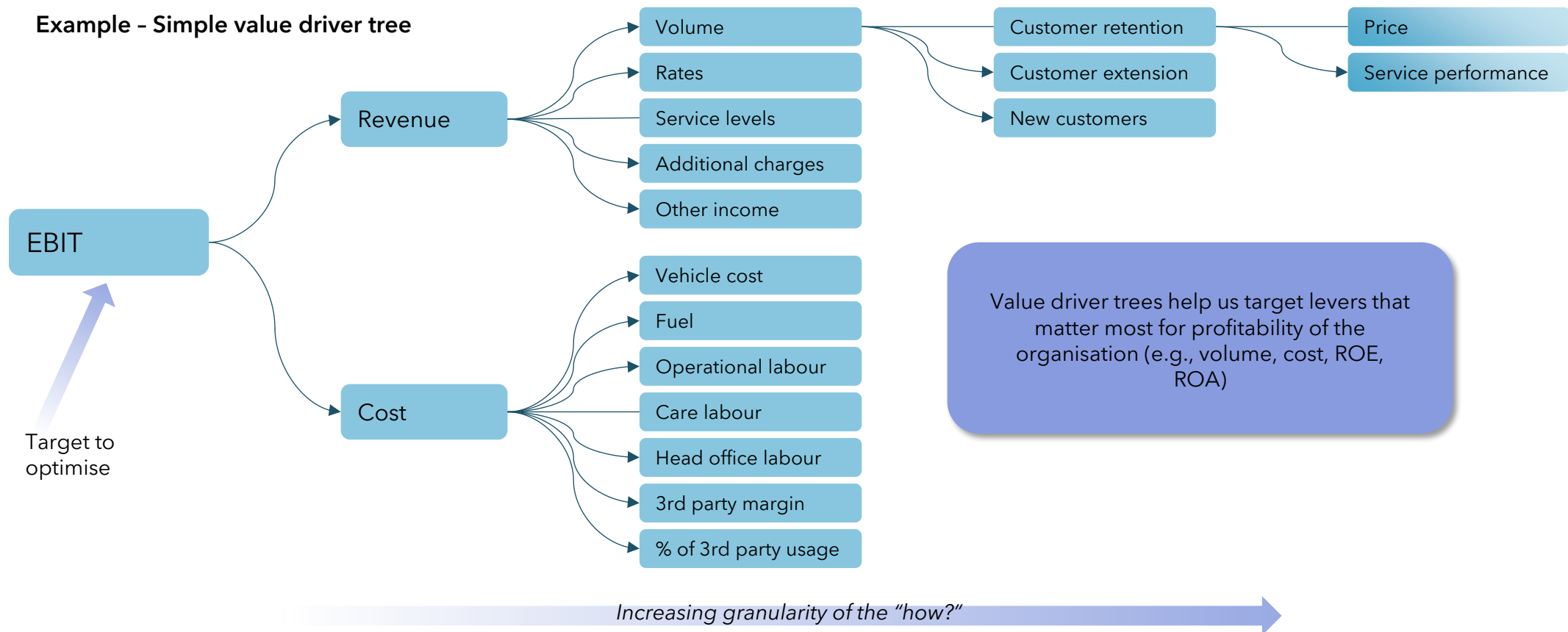
*The details of this topic are beyond the scope of this presentation

As we dive into some of these responses, the concept of value-driver trees (VDTs) will be important in helping us to decide where to focus our attention...

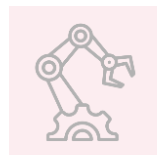
Value driver trees (VDTs) map how an organisation's metrics fit together - they reveal the different levers we might pull to accomplish a given outcome

Sometimes just changing one arm of the VDT can lead to an order of magnitude improvement in the target metric

Example - Simple value driver tree



Addressing process inefficiencies with Process re-engineering



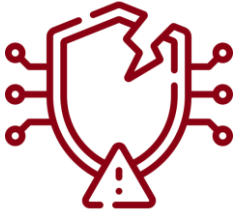


Process inefficiency is very common



Examples of inefficient processes

- Outdated approval workflows
- Manual data entry
- Redundant approval steps



Consequences of not updating processes

- Frustrated customers
- Irritated staff
- Increased risks
- Higher costs



Opportunities in process optimisation

- Improve efficiency
- Enhance customer experience
- Reduce technology implementation risks
- Reduce technology implementation costs



Process reengineering is the thorough and detailed redesign of organisational processes to remove inefficiencies and friction points

Process Reengineering

Capture Current State ("As Is") Process

- Map process, including detailed information on
 - Roles
 - Systems
 - Documentation
 - Decision points
 - Interdependencies

Perform Structured Analysis of Current State

- Locate friction points and opportunities
- Quantify issues where possible
- Identify opportunities for automation

Conduct Scenario Modelling

- Compare different changes to the current state
- Confirm utility of metrics in quantifying process performance
- Use scenarios to support business case

Confirm & Map Future State ("To Be") Process

- Map new process

There are various sources of insight into current state processes:

Process Modelling

Manual, or semi-automated, mapping of activities, decision points, system usage, and documentation

Business Performance Analysis

Capture of key metrics / performance indicators and trends to quantify current state performance

Customer Journey Mapping

Description of customer perspective, aligned to process, providing insights into end-user needs, attitudes, and behaviours

Process Mining & Task Mining

Capture of enterprise platform logs and/or detailed tracking of user interactions with systems to automate modelling of the current state, including variations



There are an increasing number of tools and technologies for process re-engineering

Process mapping tools

Visualise and document workflows to identify inefficiencies and optimise processes. Many now allow for scenario modelling

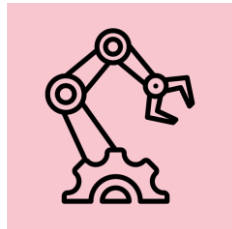
Data capture and analysis tools

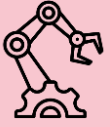
Collect and analyse deep process data to uncover opportunities. This can be at a substantially higher level of detail than traditionally possible, e.g. task mining

Change management tools

Facilitate the adoption of new, streamlined processes and minimise disruption, e.g. behavioural nudge software

Addressing excessive manual effort with Process automation





RPA is good for basic processes, while complex processes may require intelligent automation

Robotics process automation (RPA)

- RPA bots are designed to interact with applications and processes in the same way a human would complete a task
- They 'emulate' human actions according to a pre-defined series of instructions or steps to achieve an outcome without the need for human intervention
- RPA works well on standardised, repetitive, mundane and/or tedious tasks such as:
 - Processing invoices and applications
 - Sending reminders to customers via text
 - Fraud detection
 - Payment execution
- However, the same attributes that enhance RPA's efficiency limit its ability to tackle nuanced processes and complex tasks
 - For example, if a customer fills out a straight-through-processed form incorrectly, RPA may be unable to interpret it as it falls outside of its rigid rules, therefore creating manual work for a human
- RPA can "break" if the underlying system changes

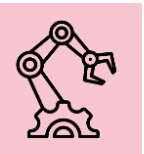
Intelligent automation

$$AI + RPA = IA$$

- Intelligent Automation can not only streamline inefficiencies but also automate value-added activities

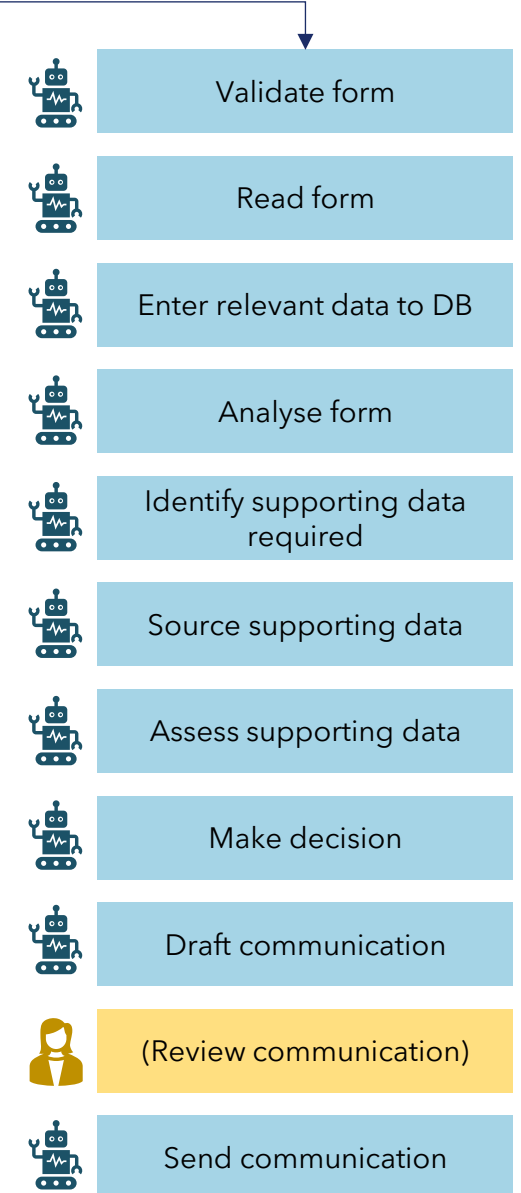
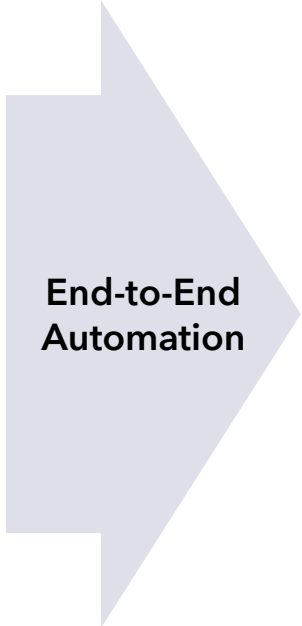
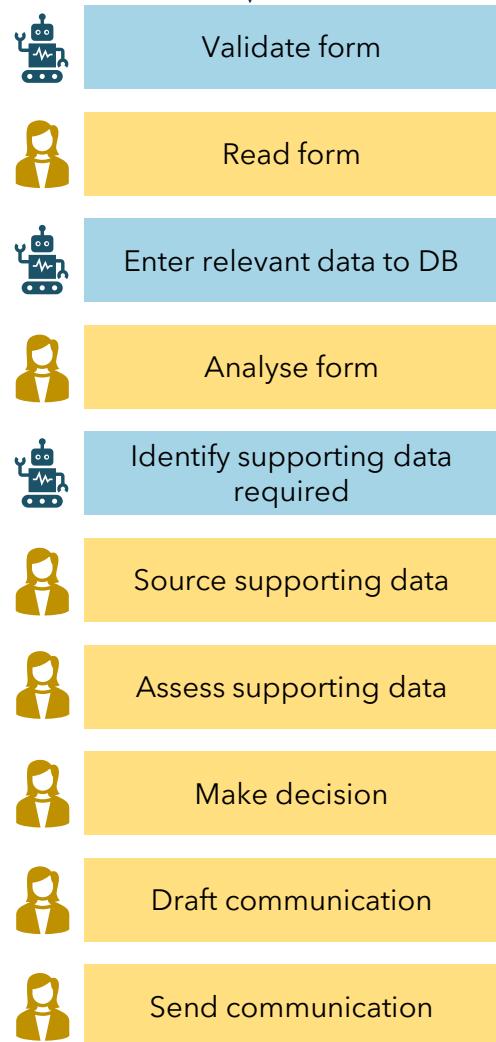
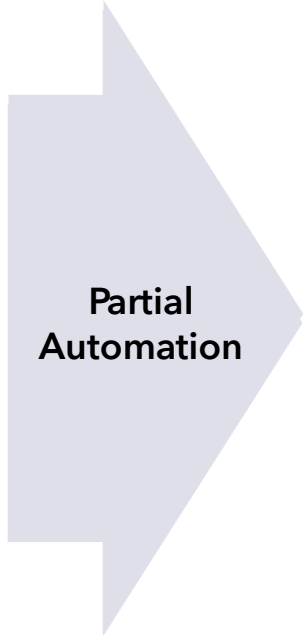
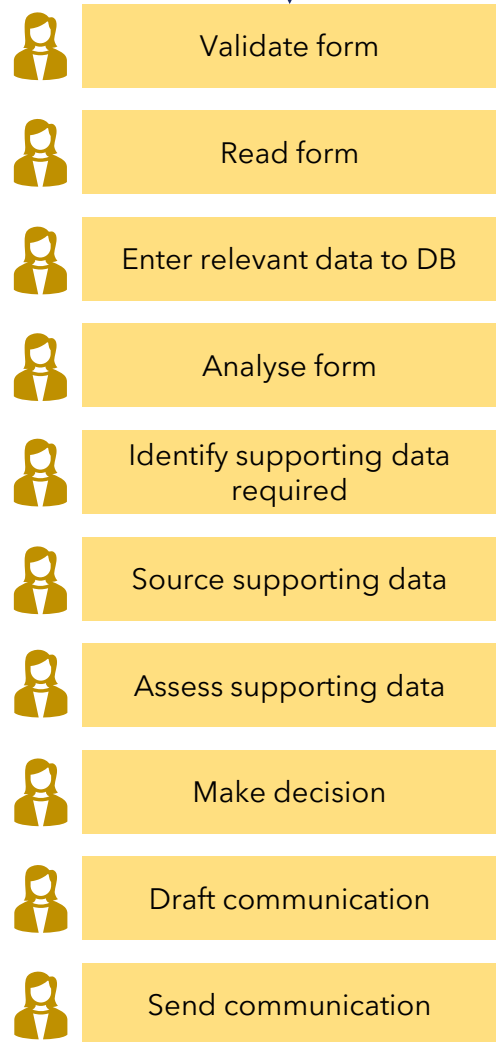
If RPA can	Intelligent Automation can
Open and scan emails	Summarise the information
Download invoice attachments	Apply conditional rules
Read / copy key data from documents	Write an email or letter
	Change the status on a file

- To a modern process engineer, the RPA agent is removing waste, while the Intelligent Automation agent is assisting the human in value added activity



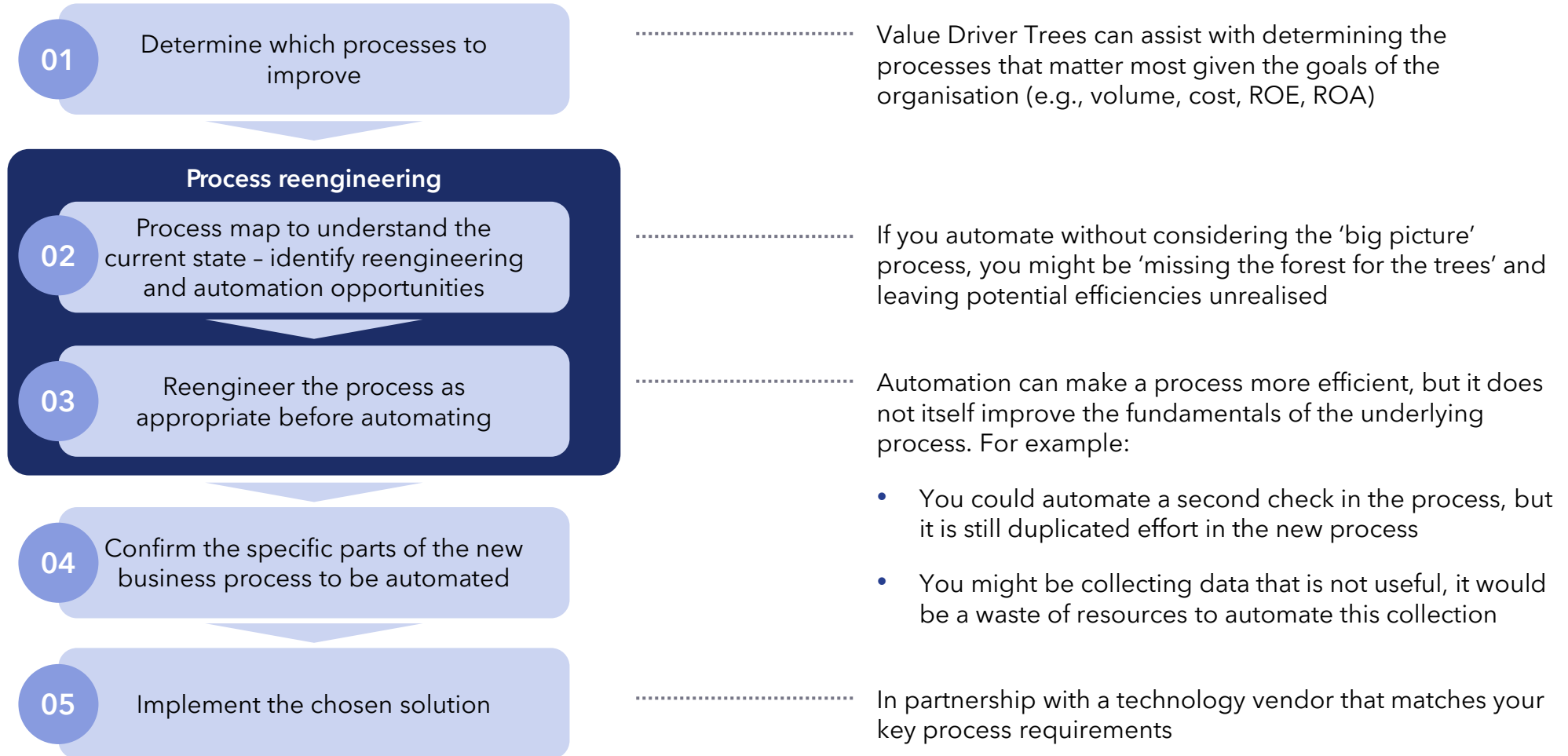
Use Case Example: Process Flow With and Without AI...

Form received
(e.g. claim, application)

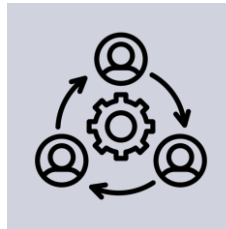
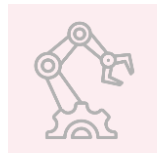




There is little doubt in practice (or in the literature) that automation alongside process reengineering can deliver very significant efficiencies. In this case 1+1 is greater than 2



Addressing ineffective structures with Restructuring





Restructures are a commonly looked to solution, but can be damaging if not done properly



Restructures have a consistently high failure rate, with most of us having seen disappointing attempts



They fail for three fundamental reasons

Poor strategic concept

Limited consideration of broader operating model

Poor change management

A modern approach...

- **Incorporates operating model thinking:**
Integrates diverse organisational elements to enhance mission delivery effectively
- **Ensures 'value driver tree' thinking is imbued in the metrics:**
Facilitates clear and consistent linkage between organisational value and performance metrics
- **Uses contemporary methods:**
Ensures that the right steps are followed in the right way
- **Leverages modern technologies:**
Uses effective and affordable tools to capture and analyse organisational structure efficiently



To restructure properly, consider structure in concert with other elements of the operating model



Benefits:

Holistic organisational framework

Encapsulates all essential elements for cohesive mission alignment and operational synergy

Adaptive to modern challenges

Equips organisations to navigate complexities by iteratively refining the operating model

Integration of interconnected elements

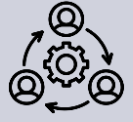
Ensures harmony between processes, technologies, skills, and policies for optimal efficiency

Organisations do not work by structure alone

New structures require other supporting elements of the operating model to be in place, for instance

- Metrics
- Incentives
- Processes
- Authorities
- Ways of working

Use of this model helps to ensure they are accounted for



There are first rate restructuring methods, which generally incorporate these elements

Scoping redesign areas

Defining objectives clearly

Understanding the current state

Developing design principles

Understanding contemporary options / solutions

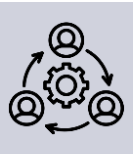
Co-designing solutions

Modelling solution impacts

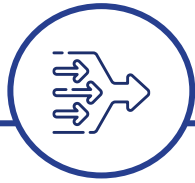
Selecting solutions

Preparing comprehensive implementation plans





There are a host of contemporary tools that can help you with restructuring



Process tools

Structure mapping technology

Modern tools enable comprehensive mapping of organisational structures, enhancing efficiency

Process analysis tools

Advanced analytics identify and eliminate inefficiencies, streamlining restructuring efforts

Change management tools

Contemporary technologies are available to help the change get deployed and importantly to stick!



Design

Affordable restructuring tools

Modern technologies provide cost-efficient solutions for effective organisational modelling

Impact assessment models

Tools help evaluate financial consequences, enhancing decision-making during restructuring

Behavioural insight applications

To facilitate smoother transitions, driving engagement, and reducing resistance.



Deployment and embedding change

Testing staff responses

Tools evaluate employee reactions, ensuring change initiatives are well-received

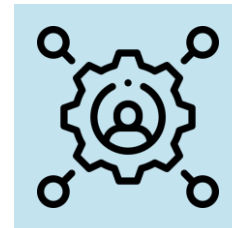
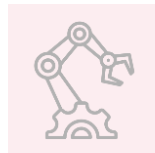
Feedback gathering mechanisms

Collecting staff input enhances adaptation and addresses concerns effectively

Behavioural nudges

Subtle prompts guide employees toward embracing new practices and responsibilities

Addressing capability gaps with Role re-design





Changes to your Operating Model may necessitate new or changed roles - under these circumstances Workforce Planning makes sense

- Any changes made to your Operating Model (e.g. in response to initiatives such as increased automation, a push towards AI, structural transformation, etc.) will likely necessitate some changes in thinking on the roles found in your organisation
- This may require **new roles, modifications to current roles, or a new spread of skills**

Example of Op. model change:	Increased automation	Shift towards AI	Restructuring for cost
Potential new roles	<ul style="list-style-type: none">• Automation Specialists• Robotic Process Automation (RPA) developers	<ul style="list-style-type: none">• Data Scientists / Data Analysts• Machine Learning Engineers	<ul style="list-style-type: none">• Change Managers• Industrial Relations (IR) Specialists
Potential changes to current roles	<ul style="list-style-type: none">• Reduction in manual work effort• Greater focus on process optimisation (as opposed to manual oversight)	<ul style="list-style-type: none">• Less "routine" decision-making (and more focus on exceptions)• Less manual research	<ul style="list-style-type: none">• Managers to handle larger teams• Increased strategic oversight from senior leaders
New skills / capabilities	<ul style="list-style-type: none">• Technical understanding of automation tools• Troubleshooting/maintenance of automated systems	<ul style="list-style-type: none">• Data analytics and interpretation• Critical thinking• Best practices for use of AI tools	<ul style="list-style-type: none">• Cross-functional flexibility• More agile financial planning



You get to choose how you design your roles - do it right and the benefits will be apparent

- Role design is not just a human resources exercise, it's a strategic tool that can significantly impact organisational success



A well-designed role...

- Aligns employee capabilities with organisational needs
- Provides room for personal growth and development
- Benefits both the employee and the organisation

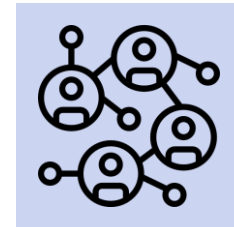
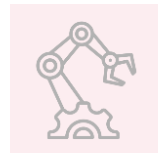
Benefits for your staff

- Increased job satisfaction
- Improved work-life balance
- Enhanced motivation and engagement
- Growth opportunities
- Greater autonomy and empowerment

Benefits for your organisation

- Improved employee retention
- Increased productivity / output
- Enhanced innovation and creativity
- Improved organisational culture
- Cost savings through reduced disruptions
- Increased adaptability

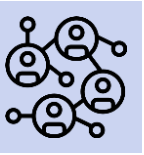
Addressing flexibility challenges with New ways of working



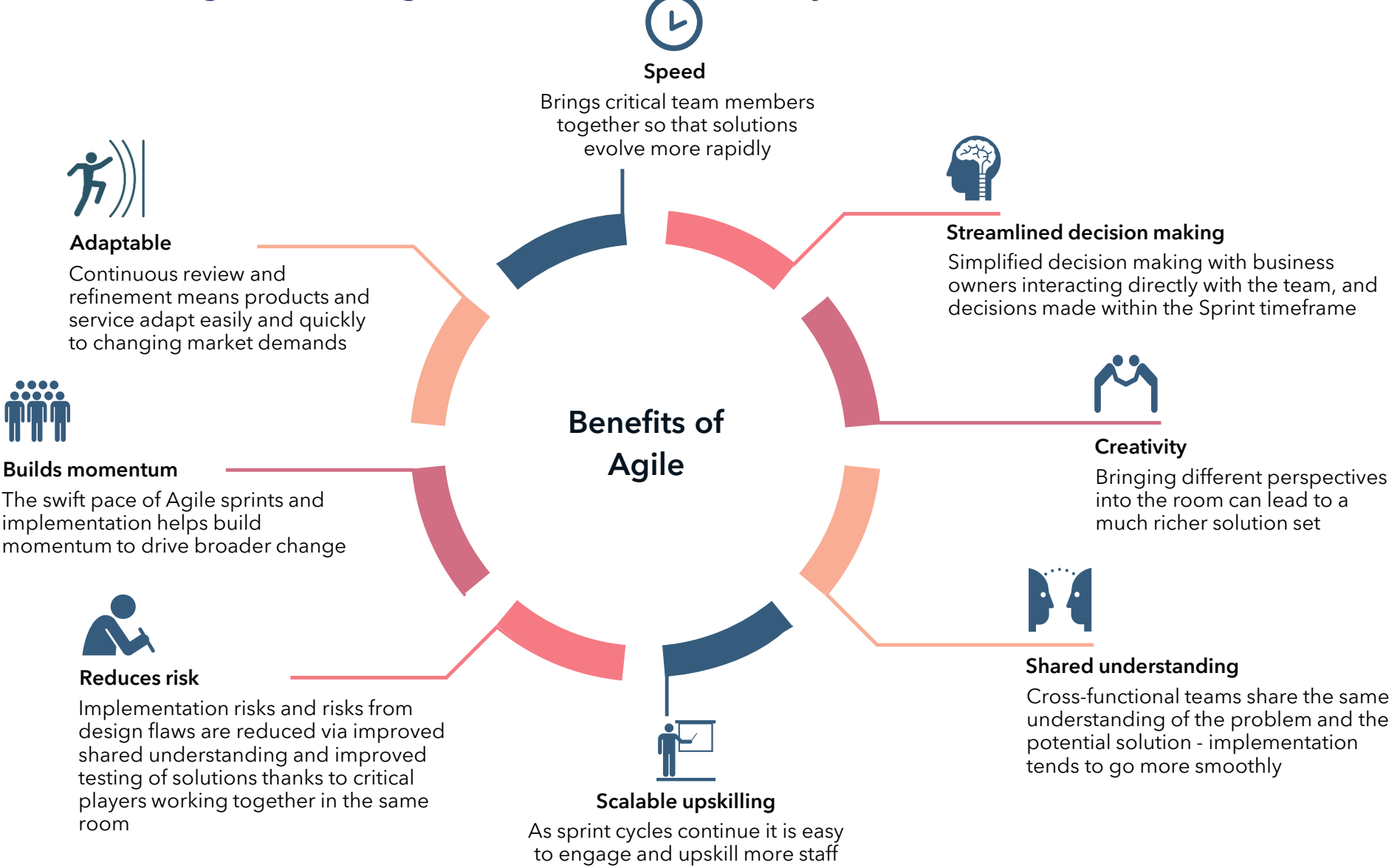


Updated ways of working can have a materially positive impact on productivity

- “Ways of working” is a descriptor that incorporates a basket of behaviours, and even rituals, which enable effective collaboration and delivery
- For instance, lean and agile practices have had a material impact on the ways that organisations work
 - Lean thinking has led to continuous improvement habits which help to tame inflation
 - Agile thinking has led to the reconstructing of teams as multi-disciplinary delivery teams which require different ways of
 - Prioritising
 - Decisioning
 - Communicating
 - Monitoring progress
 - Delivering
- No matter how good the process of restructuring or reengineering is, ways of working can still have a material impact on overall performance



The behavioural changes to "do agile well" are rewarded by a number of different benefits



In summary

Bevington Group recommends adopting rational, strategic responses based on the nature of the issue



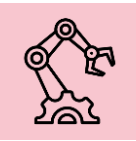
Process inefficiencies




Process re-engineering



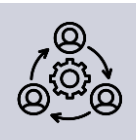
Excessive manual effort (no automation)




Process automation



Ineffective structures



Restructuring (within operating model redesign)



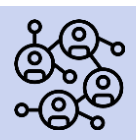
Capability gaps



Role re-design (possibly with restructuring)



Flexibility challenges



New ways of working



Legacy technology challenges



Modern architecture & AI*

*The details of this topic are beyond the scope of this presentation

Thank you

Contact details and disclaimer

Bevington Group is a specialist consultancy with six core practices:

- 
Operating Model Design and Restructuring
- 
Lean Process Reengineering
- 
Process Automation, Digitisation and AI
- 
Accelerated Implementation
- 
Change Management
- 
Risk Intelligence

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