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Lumics White Paper

Preparing for the Next Normal - How new is it going to be?



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More than usual, the question what the future might hold is on the mind of every business leader at the moment. Preparing for the most likely scenario and being prepared for any associated risk should be the top priority not only for those concerned with the strategy of the business but for every operational leader. Hence, the question is how different this next scenario will be and how much change it will impose on a business?

Competition at the Next Level

The requirements to contain the COVID-19 virus resulted in the partially dramatic reduction of consumer activity, as well as suspension of service offerings and industrial production. Not all sectors have been as severely impacted as the “Travel and Tourism”-segment, but billions of euros and dollars have been lost from the global value chains in the recent weeks and it appears likely that more is to come. The impact of those losses will be felt throughout the economies around the globe. A particular challenge is the fact that, as the virus and therefore its effects spread around the globe, impact in some economies will lag impact in others. As a consequence, the imbalance of supply and demand will extend in time beyond the local effects. Disruptions in the supply chains for critical goods and services will raise cost in certain areas. Furthermore, the accumulation of debt, be that in the businesses or as a result of governmental cash injections in the economy, is likely to end up as a burden on businesses in the form of debt service or taxation at some point in the future.

The effects of the COVID-19 pandemic will therefore be with businesses for years to come representing a high risk for reduced incomes and increased cost. Less money to spend for consumers and businesses means that an almost certain ingredient of the “next normal” will be heightened competition in the market place and only the most prepared and most agile businesses will have good chances to strive in the ramp-up and after the crisis.

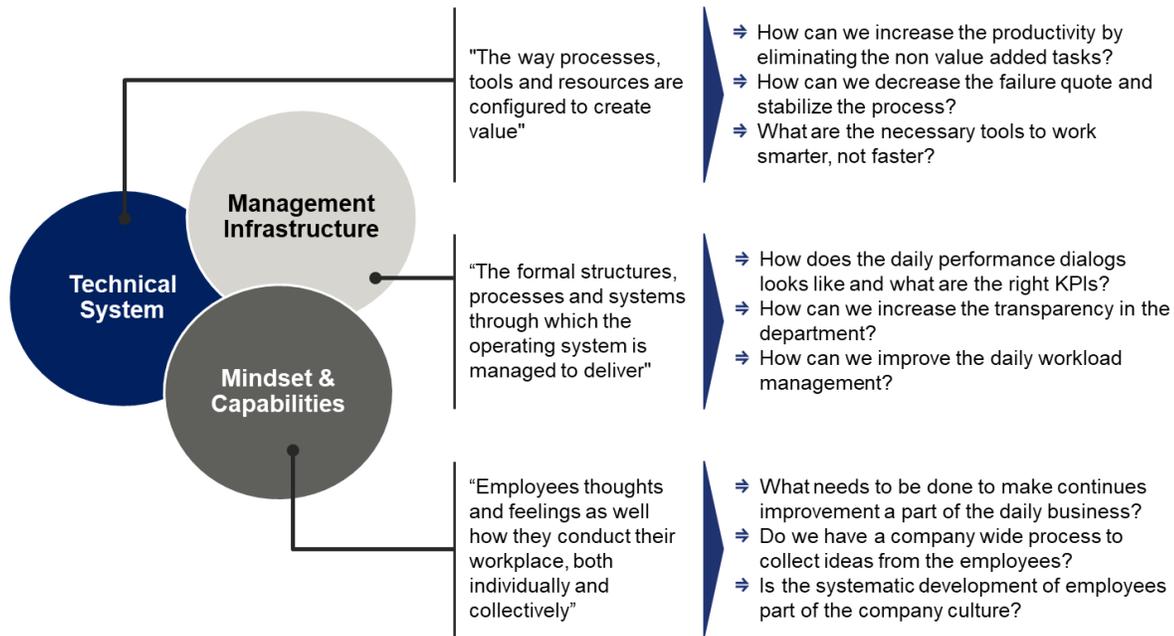
Now is the time to prepare for this “next normal”. This may involve strategic repositioning for some businesses along with investment in innovation and disruption.

However, the bulk of businesses have already found a solid market segment with a loyal customer base, which is a key asset for the future. Hence, another viable, indispensable but not necessarily exclusive avenue to prepare for the “next normal” will be to take existing operations to the next level of excellence. This paper presents a catalog of actions to achieve this next level of excellence in the operations in order to prepare for the competition after the COVID-19 pandemic.

Review of the Operational Systems to achieve Next Levels of Excellence

The objective of the operational systems prior to and post pandemic will remain the same: to deliver appropriate quality at the right time and at the lowest cost to customers. And the basics as outlined in Figure 1 also remain the same: excellence of the operational systems is achieved through the optimal interaction of technical systems, management systems and the employees’ mindsets and capabilities.

The task at hand is therefore the review of these systems and environments with a new perspective and with a willingness to be absolutely stringent in the elimination of waste in the organization and processes. In many and varied transformation projects in the past, Lumics was able to identify enormous dormant potentials for our clients. And as before, the key to unlocking these potentials will be decisiveness and commitment from senior management.



Source: Lumics

Figure 1: Holistic Approach to Operational Excellence Review with Three Focus Lenses

While all the basic good operational practices remain in place, the changes which will drive the perspective on this “next normal” are the following:

- **Market:** There will be altered and augmented expectations from customers. Any expenditure will be critically reviewed and therefore the value-adding of a product or service as well as the period to earn a return-on-investment will be challenged. Along with that, customers will want to be assured to secure, interruption free supply.
- **Competitive Pressure:** Reduced demand and increasing competition among suppliers eager to fill their production capacities – potentially coupled with an abundance of surplus material in a number of sectors – will require challenging every single activity in the business for its necessity and its value-adding for the client.
- **Acceptance of Technologies:** The restrictions implemented to contain the spread of the COVID-19 virus have turned out to be a large-scale proof-of-concept for new ways of working. The associated technologies have rapidly matured over the past weeks, the skepticism among management and staff towards remote collaboration has faded and many clients tell us there will be an enduring preparedness to apply these technologies. It will be imperative for businesses to turn this change into a competitive advantage.

A fresh look at the existing systems in the three lenses in Figure 1 will guide the operational review and prepare the grounds for the business transformation to the “next normal” in your operations.

Technical Systems

The Technical Systems comprise the entire configuration of resources, tools and processes. Particular aspects to be reviewed can be:

- **Remote Infrastructure:** Does the organization have the capability and capacity to perform company functions or interact with customers and suppliers remotely on a much larger scale than

at present? What is the required scope of your facilities, if significant functions are conducted remotely?

- **Company Data:** Is company data organized to be current and readily usable for the new environment? While the “Remote Infrastructure”-item above is largely a challenge for the IT-infrastructure, ensuring data organization poses a challenge for the entire organization and therefore deserves attention at the most senior management levels. It is the be-all-and-end-all of the business knowledge and by far not a task for IT. The scope of this task is therefore enormous and a key pillar for it is data security. How can you protect data on remote devices?
- **Robust processes with the potential for automation:** What is the maturity level of your process definition? Mature and detailed process definitions both form the foundations for process automation and also avoid miscommunication once the elements of the process chain are no longer co-located. Lack of automation and rework due to miscommunication are costly sources of waste.
- **Supply Chain Risk Assessment:** What are the risks hidden in a cost-optimized lengthy supply chain? The sudden disruption of international modes of transport will make customers wary of vulnerabilities and updated supply chain models need to be investigated.

Management and Infrastructure: Leadership in the “Next Normal”

While Lumics very often finds significant levels of awareness of solutions to challenges in the Technical System of our client organizations, this is rarely the case for the other two focus lenses, which can be seen as the glue, which holds the operational system together.

Managing a remote or partially remote work force will require new, modern forms of leadership. The implementation of this new approach will require patience and consideration for the proper timelines, but will also be rewarded with greater agility, a trusting company culture and increases in productivity. The leadership task will be to propel motivation to value-add and to rigorously eliminate non-value-adding and wasteful activity.

Working in a more remote environment inevitably results in communication hurdles, less visibility, potential time lags and perhaps a perceived reduction of control.

The means to overcome such potential draw-backs and in turn elevate productivity is the achievement of higher levels of clarity and transparency in the leadership of teams:

- **Clarity:** Improved clarity is the result of outcome-oriented and quantitative setting of targets, along with the applicable process as well as a distinct hand-shake to accept responsibility for the target.
- **Transparency:** Improved transparency is achieved through an agreed method to measure progress through Key-Performance-Indicators, regular exchanges to assess progress status and agreement on resulting action and responsibilities to address deviation.

Neither of the above is new. However, in the remote working environment it may be necessary to take the definition of outcomes and goals to a new level of detail. In order for every team member to autonomously achieve their contribution, it is the leader’s task to clearly define their personal objective, a clear process structure in SIPOC-form (Supplier – Input – Process – Output – Customer) and to be accessible for the remote team member to assist with the overcoming of obstacles.

In the absence of supervision, the leader’s role is to instill a “start-up”-spirit in the team, which focuses the entire team on the value they create, makes the team understand their contribution to the greater objectives of the business and incentivizes the intrinsic motivation to achieve the agreed outcomes.

In much the same way as leadership requires strong support towards the achievement of desired outcomes, the same strength is required to eliminate activities, which are not absolutely required to serve the customer. Now is the time to tackle legacy structures and administrative burdens to create a more productive, lean and also more fulfilling work environment.

Mindset & Capabilities

Strength in the market place is not achieved without a dedicated and committed work force to make the operation happen. Hence, emphasis ought to be given to achieve the “next normal” jointly with all team members and secure their support. Any change effort made with regard to Technical System or Management Infrastructure will only yield positive impact if the aspects of the Mindset and Capability lens are appropriately considered.

The team members are expected to become involved and achieve the production and service outcomes with a far greater degree of autonomy and accountability. The business benefits from reduced overhead, improved competitiveness. The team benefits from job security and less bureaucracy. Trust building activities based on the experiences made during remote business operations now have exceptional chances to succeed.

In order to transition into this new environment, a thorough assessment of qualifications and training needs will be beneficial. Of particular importance will be the review of digital capabilities of the work force as well as an appraisal of the right level of cross-qualifications, which will ensure a flexibility within the teams.

“Next Normal” Key Characteristics

When establishing readiness for the “next normal”, organizations should be confident that some key characteristics are integral to their operations:

- **Preparedness to eliminate** legacy process parts and structures if they do not value-add to the customer outcomes;
- **Resilience** of processes and outcomes against disturbances;
- **Flexibility** to respond to rapidly changing and volatile business environments.

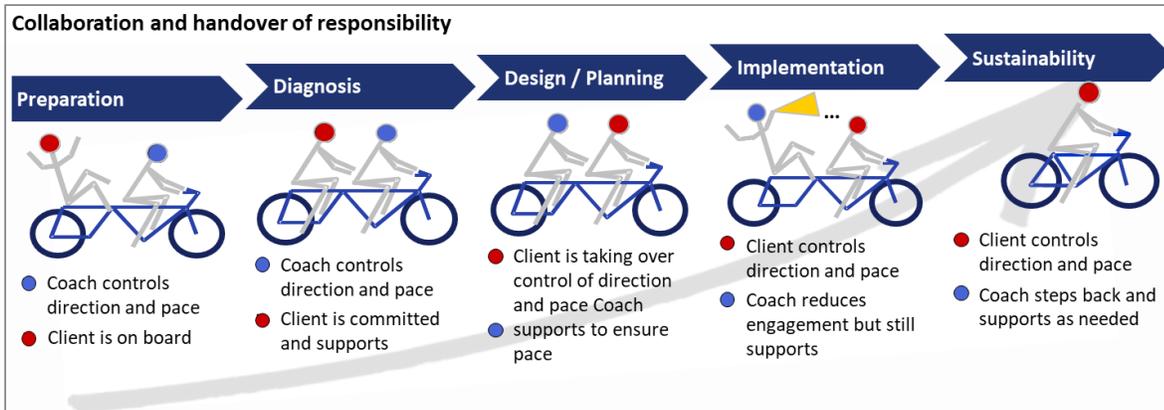
In order to develop those characteristics, which will very likely involve some painful steps in the transformation, a comprehensive change story is needed and will need to be intensively communicated, such that all stakeholders come along for the journey.

Most important, however, moving towards the “next normal” will require a sharp capability to carry through with focused, outcome-oriented project management. Plans and concepts are often easily formulated, but as 70% of all transformation efforts fail, it is clear that specific energy and skill is required to maintain the momentum towards completing the objective on time. Business leaders are well-advised to take a close hard look at their record and ability to perform transformation projects. Second chances are not often granted when competition is fierce and investment resources are tight.

Lumics has proven Experience to provide Support with Transformation Projects

Lumics is a specialist implementation consulting firm with roots in aviation and the application of lean management principles in highly variable processes, such as maintenance or diverse administrative processes. We provide support to achieve sustainable high performance in our client organization and we strive to excite people about modern work environments.

We understand consulting to be a partnership with our clients and our consultants integrate seamlessly with the transformation teams of the clients. Successful project outcomes are collaborative achievements and our focus on ownership in the client organization secures lasting and sustainable transformation results.



A long lasting successful transformation is our goal – therefore, we...

- ⇒ ... work together with our client in one project team
- ⇒ ... coach our client day by day
- ⇒ ... develop our client's capability to design and implement actions of improvement
- ⇒ ... define a clear set of roles and responsibilities to ensure a successful follow up of the project

Source: Lumics

Figure 2: Lumics tandem transformation model to ensure sustainable change

Lumics teams have performed around 300 transformation projects in Europe, Asia, the Americas and Africa in land, sea and air transport companies, public sector as well as heavy and process industries. Past projects have targeted savings levels of up to 300 Mio. €.

Lumics can support your transformation efforts through:

- Assessment of maturity levels, health checks and operational diagnoses;
- Risk assessment and pain point identification;
- Cost optimization;
- Process optimization;
- Assessment and optimization of supply chains;
- Performance management and KPI-definition;
- Coaching and training;
- Change Management and stabilization of new leadership and team roles and responsibilities;
- Collaborative transformation methodologies to implement sustainable performance improvement in the organization.

About the Author:



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Michael has been appointed Managing Director of Lumics GmbH & Co KG based in Hamburg in March 2015. For over 20 years, he has been a member of management boards of several small and medium-sized joint-venture companies in Germany, the United Kingdom, the United States and Australia. In the past years he has been responsible for large scale transformation projects in numerous industries and countries.

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