

Reimagining Industrial Manufacturing Operations

Insights from PwC's 2015 Global Operations Survey

Industrial manufacturing companies are adapting to an increasingly volatile and disrupted world. That's causing a shift in focus. Competitive advantage is no longer solely about what companies do, it's about how they do it. Manufacturers are refining everything, from the way they produce goods to how they engage with customers – and operations is leading the way.

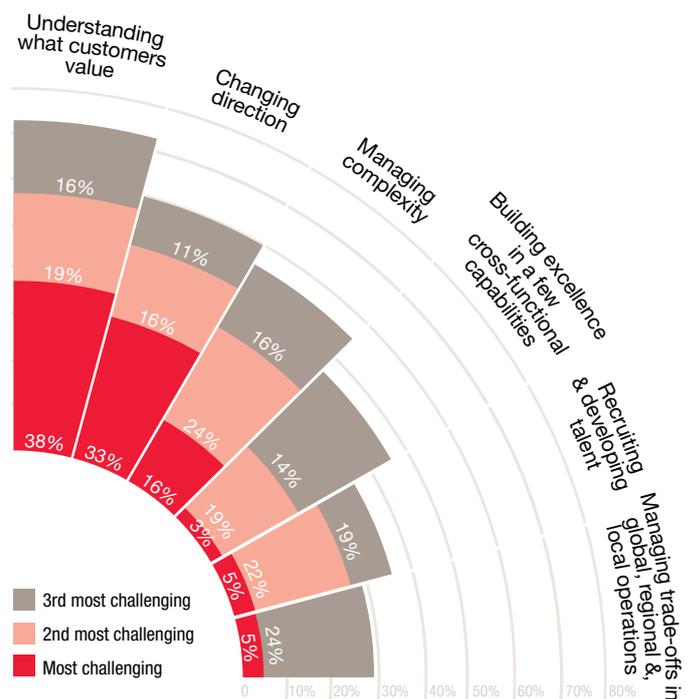
What the survey says

The challenges facing the sector are more long-term, more fundamental, and more strategic than ever before. Understanding what customers value is at the top of the list.

Industrial manufacturing companies are having to adapt to change at an increasing pace. 73% of operations executives expect the advent of new competitors to disrupt their business, compared to 58% across all industries. New technologies – such as 3D printing or the Internet of Things – along with predictive maintenance techniques are creating radically different opportunities in manufacturing.

Manufacturers who can anticipate and meet changing demand patterns are better placed to win in their market. Yet 73% of industrial manufacturing executives in our survey said that understanding what customers value is a top operations challenge for their company.

Getting to know you: industrial manufacturers find it tough to know what customers value



Q: Which of the following are operations challenges for your company? I will read out six statements. Please tell me which is first, second, and third most challenging for your company.

Base: 37 industrial manufacturing respondents

Source: PwC's 2015 Global Operations Survey, October 2015.



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Operations now extends from its traditional functions like sourcing and supply chain, to a full range of customer-focused activities – 70% of our respondent companies now include sales and 68% marketing within the operations brief, while 73% include customer insights, and 65% new product development.

As the scope of operations broadens, the function's objectives are shifting from the purely tactical to the much more strategic: operations leaders at 68% of our industrial manufacturing survey companies participate in strategic decisions about products and services (compared with an overall average of 49%), and 60% are rewarded according to their contribution to overall corporate strategy, rather than solely on team or functional performance.

Operations in these businesses is also moving beyond continuous improvement to give equal priority to long-term transformation.

Developing distinctive capabilities

Capabilities are the how of corporate strategy. They take much longer to develop than products or services, and that makes them a more resilient source of competitive advantage. Many industrial manufacturing operations executives already recognise this; 92% are exploring how to achieve the differentiating capabilities needed to achieve genuine and sustainable competitive advantage.

Of these, 63% believe that their competitiveness will be at risk if they aren't successful, compared with an overall average of 50%. In industrial manufacturing these capabilities might range from new product development to life cycle analysis, to new processes and technology.

The value of collaboration

Collaboration is becoming more important – both inside the business, and with third parties and partners outside. The more strategic operations becomes, the more important it is to work across functions, bringing in different perspectives and different skills. That is why 57% say greater cross-functional collaboration is the single most important way to achieve business goals.

Innovation can emerge from anywhere, including collaborating with customers on new product development. Customers increasingly expect the right to influence product design, and that products will be available where and when they want them. Digital is one of the most effective ways to engage, and it's encouraging that 95% of operations executives already use technology to facilitate collaboration.

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Next steps, next questions

It's an exciting time for operations leaders, who can drive their companies' destiny like never before. In our view, the more strategic companies are more likely to focus their efforts on building a few differentiating capabilities that drive competitive advantage. At the same time they work to de-emphasise other activities. When thinking about how your company will transform operations to meet the needs of your customers, consider these questions:

- Given your company's way to play, what capabilities does the company need to win in its chosen markets?

- What does your assessment say about the operations capabilities you already have? How are the capabilities your company needs for distinction managed now? Will your management team and your day-to-day operations teams agree that these are the right priorities?
- Do financial parameters, such as cost, working capital, and capital expenditures, work to support the operational capabilities your company needs to win? What may need to change for how resources are allocated to these priorities?

View all the survey data at www.pwc.com/reimagineops

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