

Reimagining metals operations

Insights from PwC's 2015 Global Operations Survey

Metals companies display a lack of confidence that their operations are designed to achieve business goals. Operations leaders say their primary focus is cost, efficiency and incremental improvement, but capability building could unlock long-term value.

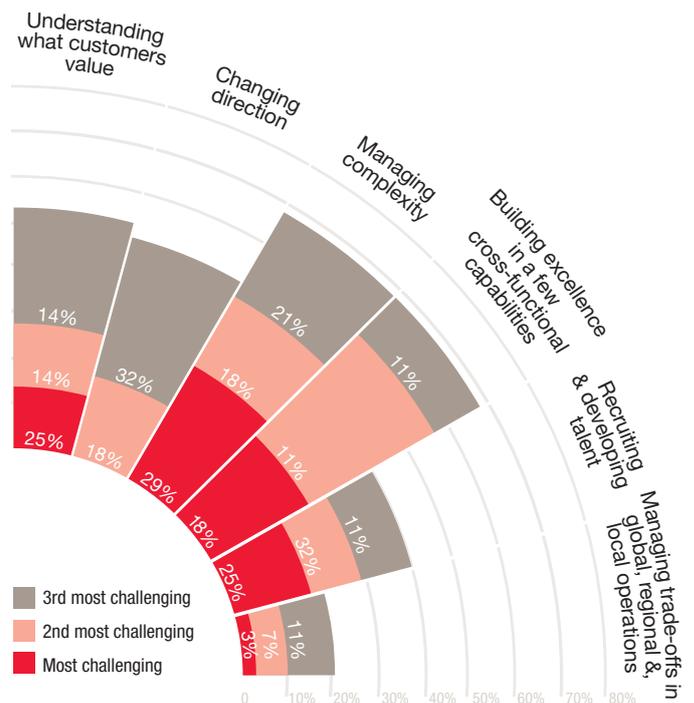
What the survey says

Managing complexity is a significant challenge – more focus is needed.

Two-thirds (68%) of metals companies say managing complexity in their portfolio is a challenge. The need to tailor offerings to different market segments while maintaining operational efficiency is a challenging trade-off. A regular portfolio review cycle helps, yet 39% of metals operations leaders say that they never, or only sometimes, conduct cross-functional reviews of their product portfolios to eliminate unproductive complexity.

Building excellence in a few cross-functional capabilities is also cited as challenging by 68% of metals operations leaders. Our research suggests the sector may be behind the curve in its approach to capability building: only 18% say they prioritise building cross-functional capabilities at the company level. Metals companies should take a focused approach, prioritising activities that will drive competitive advantage while focusing less on areas in which they only need to be 'good enough' to compete.

Metals companies rate managing complexity and building cross-functional capabilities as challenges.



Q: Which of the following are operations challenges for your company?
Base: 28 metals respondents
Source: PwC's 2015 Global Operations Survey, October 2015.



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Demand and technological disruption dints confidence.

At present only 57% and 54% of metals operations leaders say they are confident that their operations are designed to support revenue growth targets and cost and margin targets respectively. They cite many challenges ahead. 43% say changes in core technologies will be disruptive: the transformational potential of digital technologies such as robotics or 3D printing should not be underestimated.

61% agree that changes in demand patterns will be disruptive. This suggests that the impact of a continued slowdown in the Chinese economy – a consumer of more than 40% of the world's base metals – combined with a slide in metals prices may not yet have taken full effect.

Leaders strike a balance between incremental improvement and transformative change.

Metals companies are more focused on cost and efficiency of operations rather than transformative

change. Our research highlights that only 18% of metals operations leaders say their company's primary focus is on transformative change and new ways of creating value, compared with 57% who say they are focused on continuous improvement to existing processes (the rest say they are focused on both).

What steps are metals companies taking to build capabilities?

50% say their primary focus is on rewarding collaboration across functions; only 18% say they reward excellence within functions, with the rest say taking a balanced approach.

50% require operations leaders to participate in strategic decisions about products and services. This should help achieve greater alignment between product offerings and the operational capabilities required to deliver them.

36% develop future executive talent by asking them to lead an operations project involving multiple functional areas.

Leading companies fund operations projects in line with their strategic goals. This ensures that operations effort and resources have the greatest impact and align with the capabilities needed to achieve competitive advantage.

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 deemphasise 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 business and market strategy, what capabilities does your company need to win in its chosen markets? Are these capabilities in place today? If not, how will they be developed?

- What does your assessment say about the operations capabilities you already have? 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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