

UNDERSTANDING HOW EFFECTIVELY DEPLOYED OPERATIONAL EXCELLENCE INITIATIVES ARE HELPING OVERCOME EMERGING CHALLENGES AND DRIVE BUSINESS GROWTH

According to the Experts: Operational Excellence Insights from Sydney Trains, Fairfax Media, Schneider Electric and Arthur J Gallagher

OPEX Week 2019



15th Annual

OPEX WEEK:

AUSTRALIA 2019



Operational excellence is the execution of the business strategy more consistently and reliably than the competition, with lower operational risk, lower operating costs, and increased revenues relative to its competitor. It is needed more than ever in today's technology driven rapidly changing business models, which require organisations to undergo end-to-end business transformation. Operational excellence can also be viewed as execution excellence.

Historically some of the key process methodologies used are Lean Manufacturing, Six Sigma Kaizen, Hoshin Planning, Balanced Scorecard etc. But more recently OPEX initiatives have expanded to include a host of emerging technologies – including robotics and machine learning – as well as a sharper focus on leadership and culture.

Recently the focus of operational excellence has gone beyond the traditional continuous improvement methods to a long-term change in organisational culture. Companies in pursuit of operational excellence do two things significantly differently than other companies: they manage their business and operational processes systematically, and invest in developing the right culture. In fact, according to the OPEX 2018 State of the Industry Report, which surveyed 50 Australian OPEX leaders, nearly all survey respondents (81%) cited empowering people and creating a culture of continuous improvement as the most important factor needed to drive value, ROI and impact from operational excellence programs.

The concept of operational excellence, and an understanding of its transformative powers, is not new to Australian businesses though. For decades, operational excellence has been recognised as a key way to lower costs, increase efficiency and improve customer satisfaction.

But in 2019, the rapid pace of change, evolving customer expectations and the emergence of new technologies is driving extraordinary shifts in the scope, value and capability of operational excellence programs across Australia.

Ahead of **OPEX Week Australia 2019**, we take a look at how emerging operational excellence initiatives are helping overcome mounting challenges and bridge the gap between customer expectations and business capabilities. We explore these initiatives through OPEX transformations from four different sectors; Transport, Utilities, BFSI and Media.



Tony Eid

EXECUTIVE DIRECTOR, FUTURE NETWORK OPERATIONS
SYDNEY TRAINS

Sydney Trains is the suburban passenger rail network serving the city of Sydney. The network is a hybrid suburban-commuter rail system with a central underground core that covers over 815km of track and 178 stations over nine lines.

Recently their OPEX journey has centred on development of the ROC – a Rail Operations Centre which will centralise all network control centres to the one location, and modernise all technological capability to the same level to ensure seamlessness across the network for improved passenger experiences.

WHAT ARE THE BIGGEST CHALLENGES YOUR INDUSTRY IS FACING?

“Currently the Sydney Trains network moves some 1.2 million passengers daily, and since the introduction of the Opal Card, Sydney Trains patronage has increased at a rate of 7.1% annually. By 2024 we expect that we’ll be moving double what we’re moving today, and we just don’t have the train capacity anymore.

Adding additional pressures is the fact that there were previously multiple monitoring centres using a mix of old and new technology at depots including Redfern and Flemington among others. This meant that if there was an incident there there are multiple phone calls made between the person reporting the incident, the person who controls the trains, the party in charge of fixing the fault and the response team in the field; delaying overall response strategies and delaying customers.”

HOW ARE YOU HARNESSING OPEX INITIATIVES TO TRANSFORM SYDNEY TRAINS’ NETWORK OPERATIONS?

“We’re often asked how will things change with the ROC, how is it different from how we do things today. Firstly, we changed the way we manage incidents. We have introduced new ways of working with the Train Controllers role by changing it to be focused on the customer. By this I mean when incidents occur the response and recovery of the incident is taken out of the hands of the train controller and handed over to be managed by a new role called Network Incident Manager (NIM).

Secondly, we split the network into two halves. (North/West) and (South/Illawarra) and pulled together all the operational and customer service staff together in a purpose built Pod. That now means signallers, controllers, customer information staff are together managing the network and providing real time information to our customers by managing the station indicators, station announcements, and importantly delivering in real time, into the palm of the customer accurate information pushed to their smart phone. From an operational perspective we can now say we are equipped to provide fast, accurate information directly to the customer each and every time.”

WHY IS OPEX SO CRUCIAL TO SYDNEY TRAINS AND ITS CUSTOMERS?

“Through a focus on operational excellence, a consolidation of capabilities and leaner, more streamlined ways of working we are able to support Sydney’s future. Already the ROC, which commenced operations last year, is able to support Sydney’s future rail operations through innovative and radical design which sees the co-location of all operational staff into one building.

However, we can’t stop there; we’ve already started looking ahead. We’ve introduced a Transformation Office, because the next thing we’ve got to address is the ever-growing growth on our network. By 2024, we’ll be moving double what we’re moving today, and we just don’t have the capacity to deal with that. By optimising our operations and updating signalling technologies we’ll be able to increase trains from 20 per hour to 24-26 which will allow us to meet need while maintaining passenger safety.”



Kirrilly Pavett

HEAD OF OPERATIONAL EXCELLENCE PACIFIC ZONE
SCHNEIDER ELECTRIC

Schneider Electric is a French multinational employing over 155,000 people world wide. As a leader in the digital transformation of energy management and automation Schneider Electric are working to make it possible for IoT-enabled solutions to seamlessly connect, collect, analyse and act on data in real-time delivering enhanced safety, efficiency, reliability, and sustainability.

To ensure they're able to effectively meet customer needs, and deliver cutting edge technologies for businesses and homes, Schneider Electric is deploying a three pronged Operational Excellence and continuous improvement strategy.

WHAT ARE THE BIGGEST CHALLENGES YOUR INDUSTRY IS FACING?

"Increasingly competitive markets are completely changing up the landscape in how to do business, and whether that means different ways of going to market, different ways in which we move through channels to market, all those elements that ultimately drive revenue and the cost consequences of those different 'go to market' models. These models then reflect backwards into the organisation and drive operating models, the processes and the people which then create the organisational structures that sit behind it.

The ever increasing need to review and evaluate the competitive landscape, customer requirements that may trigger internal changes. This is the biggest challenge. The external marketplace driving ever increasing needs to react and lead to some really intricate internal micro challenges around, ultimately, cost and productivity."

HOW ARE YOU HARNESSING OPEX INITIATIVES TO TRANSFORM PROCESSES AND EXPERIENCES AT SCHNEIDER ELECTRIC?

"At Schneider our OPEX transformation has three specific mandates, the first of these being end-to-end efficiency and Lean Six Sigma programmes. The second part is our digital transformation, so enabled by digital technologies that are going to really complement that process improvement and efficiency, and the third part is really complimented around our data and business intelligence capabilities. So those three things together really drive what we call operational excellence at Schneider.

The biggest single component, and the one that's creating a lot of buzz at the moment, is of course the digital and technology element. There's only so many different ways of doing a task, there's only so much waste that can be removed before you start looking to digital solutions, which is why we're developing a digital roadmap and deploying Intelligent Automation to really take our OPEX journey to the next level.

By maturing our processes in a strategic way, side-stepping silos related to technological transformation and maturing people capabilities associated with those processes simultaneously, we're working to deliver our business and our customers better experiences."

ULTIMATELY WHY IS STRATEGIC OPERATIONAL EXCELLENCE DEPLOYMENT SO CRUCIAL TO ANY BUSINESS AND ITS CUSTOMERS?

"What's important to understand is that it's behaviours that are driving your processes, not the tasks themselves. Processes and technology cannot stand alone, to deliver truly end-to-end sustainable solutions you need to focus on culture and behaviours too.

In my mind, skimming across the surface and just focusing on process, not the people for example, will only get you so far versus developing a fully-fledged well rounded operational excellence, vision and strategy and execution pathway, that includes understanding behaviours and culture will drive the true benefits of operational excellence."



John Makhoul

GROUP HEAD OF PROCESS EXCELLENCE
FAIRFAX MEDIA (FORMER)

For well over a century Fairfax Media, and some its most well know mastheads, including the Sydney Morning Herald and Melbourne's The Age, dominated Australian news media, interest guides and classified content.

In recent years the pace and scope of digital disruption however has meant that media magnates, who for a long time enjoyed uncontested dominance, are having to take a closer look at their businesses to determine where process efficiency and operational excellence initiatives can be deployed to remain competitive in an ever-changing space now crowded by digital disrupters. Note: (In June 2018 Fairfax media merged with Nine Entertainment Co. to form Australia's largest media company)

WHAT ARE THE BIGGEST CHALLENGES YOUR INDUSTRY IS FACING?

"I think you can't talk about Fairfax without talking about the industry disruption that happened with the world wide web and iPads, and the push for real-time everything. As such the traditional way of delivering news, where a journalist writes a story which is edited, subedited, placed on a page, sent to print then bundled and transported – that doesn't exist anymore.

Technology has of course presented compelling alternatives to deliver the same service in 'real-time.' Digital disruption had a huge impact on the way that we viewed our fundamental delivery of our offering, which was news. The problem however was the all our revenues were tied up in that print model, and as we try to transition to the digital model, there wasn't money being made there forcing us to begin exploring alternative methods."

HOW DID YOU HARNESS OPEX INITIATIVES AT FAIRFAX?

"With the whole environment and context of media disrupted it meant Fairfax had to do something substantially different to drive efficiency and revenue. We tried a range of things – switching from a broadsheet to a tabloid, consolidating print sites, and offshoring certain business units. But we still needed to do more to drive that process efficiency and reduce costs where we could.

Finance transformation was one of the processes we recommended be overhauled. Finance is a good place to start on your process-driven journey because often the issues that have manifested in processes upstream end up in finance. Fairfax had over 400 people in the finance team so to ensure these highly qualified and well paid people weren't doing tedious administrative roles we looked into automation.

We also did a big review of prior outsourcing initiatives to our Manila call centre that, due to poor process follow through, meant the contact centre was struggling with systems issues, process issues and high employee turnover leading to poor customer experiences. We learned an important lesson from this review – that lesson being that you can't outsource something and abrogate your responsibility. Somebody still has to own those processes to ensure they're effectively managed."

WHY IS OPEX SO CRUCIAL TO FAIRFAX AND ITS CUSTOMERS?

"I think operational excellence is really the foundation for any process transformation. Before you can start thinking about improving a process you need to understand it, the work that you do around it, and how you measure it. Once you understand a process you can think about how to improve it with things like the lean methodology you get from Six Sigma and the theory of constraints, all of these techniques that help you analyse the process and then improve it.

Once this has been done you can begin talking about solution elements like RPA and machine learning. Important to note though is that these solution elements aren't a 'fix-all,' they require a cultural transformation, and for that foundational prep work to be done to actually deliver results. Operational excellence then provides this scaffold, or framework to deliver future process improvement and drive business results."



Jurgen Rammesmayer

CHIEF OPERATING OFFICER
ARTHUR J GALLAGHER

Arthur J. Gallagher & Co. (AJG) is a US-based global insurance brokerage and risk management services firm. The firm, established in 1927, is the third largest insurance broker in the world and in 2016 was listed for the first time on the Fortune 500.

Specialising in creating innovative and comprehensive risk and insurance solutions for businesses, AJG is the chosen partner for more than 125,000 businesses, from micro-SMEs through to multinational corporations and some of the world's most iconic brands. Recently their OPEX journey has centred around streamlining services by leveraging robotics to reduce error and deliver better client experiences.

WHAT ARE THE BIGGEST CHALLENGES FACING AJG CURRENTLY?

"At the moment the biggest challenge is maintaining high standards of client service but at the same time adhering to regulatory and compliance requirements and achieving this without an increase in staff time and costs.

From a technological perspective robotic process automation and how to leverage the advances in robotics to improve turnaround times and reduce human errors in the process flow is creating both opportunity, while posing a challenge if not strategically deployed."

HOW ARE YOU HARNESSING OPERATIONAL EXCELLENCE INITIATIVES TO TRANSFORM PROCESSES AT AJG?

"Advancements in the capture and analysis of big data to drive new insights into client needs, artificial intelligence and robotics, client expectations around being able to interact with organisations 24/7 through mobile devices and the advances in technology underpinning apps that are used on these mobile devices are some of the biggest trends, or strategies we're exploring at AJG.

We have utilised robotics as a viable option to migrate client data from our existing legacy system to a new system. We have also designed (but have yet to leverage) our new system to capture more data elements to provide a more comprehensive view of our clients and their needs. This also includes accessing external data to provide benchmarking of our clients operations against industry norms."

ULTIMATELY WHY IS STRATEGIC OPERATIONAL EXCELLENCE DEPLOYMENT SO CRUCIAL TO ANY BUSINESS AND ITS CUSTOMERS?

"Operations of any organisation is generally the area tasked with looking at how to reduce cost to service and improve the quality of the service. The more streamlined the process can be made, the less chance there is of error and the better the service turnaround time. This has an impact on client retention and also helps support the brand and improve the chances of existing clients referring the organisation to their contacts. This therefore has a flow on impact in helping drive new business opportunities."

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If you're interested in hearing more about how effectively deployed operational excellence initiatives are helping overcome challenges and drive business improvement then join John, Kirrilly, Jurgen and Tony, along with the rest of our expert Advisory Board at **OPEX Week 2019**.

The OPEX Week 2019 Advisory Board will discuss overcoming system limitations in order to embed effective transformational change from a cross industry perspective and through their unique expertise.

The event, held in Sydney on the 23rd - 24th of July, brings together over 40 local and international speakers from the likes of Walmart(USA), Transurban, Hertz (USA), NAB, the Australian Taxation Office, Kia Motors, Kellogs (USA), ING, NBN Co and Healthshare NSW.

To secure your ticket to the event, and for special early bird prices simply fill in the **registration form** and email back to **registration@iqpc.com.au**

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