

Transforming operations management for a digital world

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When combined, digital innovation and operations-management discipline boost organizations' performance higher, faster, and to greater scale than has previously been possible.

In every industry, customers' digital expectations are rising, both directly for digital products and services and indirectly for the speed, accuracy, productivity, and convenience that digital makes possible. But the promise of digital raises new questions for the role of operations management—questions that are particularly important given the significant time, resources, and leadership attention that organizations have already devoted to improving how they manage their operations.

At the extremes, it can sound as if digitization is such a break from prior experience that little of this history will help. Some executives have asked us point blank: “If so much of what we do today is going to be automated—if straight-through processing takes over our operations, for example—what will be left to manage?” The answer, we believe, is “quite a lot.”

More digital, more human

Digital capabilities are indeed quite new. But even as organizations balance lower investment in traditional operations against greater investment in digital, the need for operations management will hardly disappear. In fact, we believe the need will be more profound than ever, but for a type of operations management that offers not only stability—which 20th-century management culture provided in spades—but also the agility and responsiveness that digital demands.

The reasons we believe this are simple. First, at least for the next few years, to fully exploit digital capabilities most organizations will continue to depend on people. Early data suggest that human skills are actually becoming more critical in the digital world, not less. As tasks are automated, they tend to become commoditized; a “cutting

edge” technology such as smartphone submission of insurance claims quickly becomes almost ubiquitous. In many contexts, therefore, competitive advantage is likely to depend even more on human capacity: on providing thoughtful advice to an investor saving for retirement or calm guidance to an insurance customer after an accident.

That leads us to our second reason for focusing on this type of operations management: building people's capabilities. Once limited to repetitive tasks, machines are increasingly capable of complex activities, such as allocating work or even developing algorithms for mathematical modeling. As technologies such as machine learning provide ever more personalization, the role of the human will change, requiring new skills. A claims adjuster may start by using software to supplement her judgments, then help add new features to the software, and eventually may find ways to make that software more predictive and easier to use.

Acquiring new talents such as these is hard enough at the individual level. Multiplied across an organization it becomes exponentially more difficult, requiring constant cycles of experimentation, testing, and learning anew—a commitment that only the most resilient operations-management systems can support.

Seizing the digital moment

And if digital needs operations management, we believe it's equally true that operations management needs digital. Digital advances are already making the management of operations more effective. Continually updated dashboards let leaders adjust people's workloads instantly, while automated data analysis frees managers to spend more time with their teams.

The biggest breakthroughs, however, come from the biggest commitment: to embrace digital innovation and operations-management discipline at the same time. That's how a few early leaders are becoming better performers faster than they ever thought possible. At a large North American property-and-casualty insurer, for example, a revamped digital channel has reduced call-center demand by 30 percent in less than a year, while improved management of the call-center teams has reduced workloads an additional 25 percent.

Achieving these outcomes requires organizations to tackle four major shifts.

Digital and analog, reinforcing each other

Digitization can be dangerous if it eliminates opportunities for productive human (or “analog”) intervention. The goal instead should be to find out where digital and analog can each contribute most.

That was the challenge for a B2B data-services provider, whose customized reports were an essential part of its white-glove business model. Rather than simply abandon digitization, however, the company enlisted both customers and frontline employees to determine which reports could be turned into automated products that customers could generate at will.

Working quickly via agile “sprints,” developers tested products with the front line, which was charged with teaching customers how to use the automated versions and gathering feedback on how they worked. The ongoing dialogue among customers, frontline employees, and the developer team now means the company can quickly develop and test almost any automated report, and successfully roll it out in record time.

Driving digital, enterprise-wide

Developing new digital products is only the beginning, as a global bank found when it launched an online portal. Most customers kept to their branch-banking habits—even for simple transactions and purchases that the portal could handle much more quickly and cheaply.

Building the portal wasn't enough, nor was training branch associates to show customers how to use it. The whole bank needed to reorient its activities to showcase and sustain digital. That meant modifying roles for everyone from tellers to investment advisers, with new communications to anticipate people's concerns during the transition and explain how customer service was evolving. New feedback mechanisms now ensure that developers hear when customers tell branch staff that the app doesn't read their checks properly.

Within the first few months, use of the new portal increased 70 percent, while reductions in costly manual processing means bringing new customers on board is now 60 percent faster. And throughout the changes, employee engagement has actually improved.

Realigning from the customer back

The next shift redesigns internal roles so that they support the way customers work with the organization. That was the lesson a major European asset manager learned as it set out on a digital redesign of its complex, manual processes for accepting payments and for payouts on maturity. The entire organization consisted of small silos based on individual steps in each process, such as document review or payment processing—with no real correlation to what customers wanted to accomplish. The resulting mismatch wasted time and effort for customers, associates, and managers alike.

The company saw that to digitize successfully, it would have to rethink its structure so that customers could easily move through each phase of fulfilling a basic need: for instance, “I've retired and want my annuity to start paying out.” The critical change was to assign a single person to redesign each “customer journey,” with responsibility not only for overseeing its digital elements but also for working hand in glove with operations managers to ensure the entire journey worked seamlessly. The resulting reconfiguration of the organization and operations-management systems reduced handoffs by more than 90 percent and cycle times by more than half, effectively doubling total capacity.

Making better leaders through digital

The final shift is the furthest reaching: digital's speed requires leaders and managers to develop much stronger day-to-day skills in working with their teams. Too often, even substantial behavior changes don't last. That's when digital actually becomes part of the solution.

About two years after a top-to-bottom transformation, cracks began to show at a large North American property-and-casualty insurer. Competitors began to catch up as associate performance slipped. Managers and leaders reported high levels of stress and turnover.

A detailed assessment found that the new practices leaders had adopted—the cycle of daily huddles, problem-solving sessions, and check-ins to confirm processes were working—were losing their punch. Leaders were paying too little attention to the quality of these interactions, which were becoming ritualized. Their people responded by investing less as well.

Digital provided a way for leaders to recommit. An online portal now provides a central view of the leadership activities of managers at all levels. Master calendars let leaders prioritize their on-the-ground work with their teams over other interruptions. Redefined targets for each management tier are now measured on a daily basis. The resulting transparency has already increased engagement among managers, while raising retention rates for frontline associates.



Organizations investing in human and digital capabilities can start by asking themselves several critical questions:

- Do we really understand how customers interact with us now, and how they want to in the future?
- How can we give customers the experience they want, no matter which digital and human channels they use?
- How can we speed our metabolism so we can uncover new opportunities for better performance?
- Can our culture become flexible enough for us to collaborate effectively with our customers through constant change?

Capturing the digital opportunity will require even greater operations-management discipline. But digital also makes this discipline easier to sustain. Adding the two together creates a powerful combination. ■

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