

RESET⁴VALUE SERIES

FUND THE FUTURE

Drive smart cost decisions
and win in uncertain times

Reset4Value
and thrive when
facing unexpected
market forces



RESET4VALUE

WIN IN UNCERTAIN TIMES

With inflation showing staying power, how can your firm best harness risk, economic disruption and prepare for a potential downturn?

Today, we remain in a period of tremendous uncertainty and CEOs are being faced with difficult decisions. Rates are rising and the race to conserve cash has begun. Many organizations are initiating top-down cost programs as a response. Traditional programs, however, such as cutting resourcing dedicated to future capabilities are jeopardizing future growth prospects and competitive positioning.

With headlines plagued by recession scares and layoff frenzies, executives are at risk of rash decision making. However, we believe that with strategic repositioning, this challenging economic environment offers firms the opportunity to Reset4Value — to drive smart cost decisions today and fund their organization for a better tomorrow.

Companies should focus on right-sizing their operating model today in order to fund a better tomorrow.

MAKE THE RIGHT DECISIONS

And prepare for unexpected market forces

At Oliver Wyman, we have been helping leaders to manage through uncertainty, withstand shocks, and build solid macro-resilience programs. CEOs are proactively focusing on cost and capacity allocation decisions — where to double-down, where to exit or pause, and how much to then re-allocate to future-looking differentiating capabilities. CEOs that build macro resilience will ensure that their organizations have the strategic headroom to weather whatever 2023 brings, while preserving important long-term investments.

A BRIEF REWIND

Reset4Value is the core of performance transformation. Our approach has allowed companies to create more flexibility in the economics of their business model. We began our series with four actions for transformative growth, then took a deep dive into what customers value most and provided ways to power up capabilities. What follows is the key ingredient to bring your performance-focused transformation all together — “Change how the work gets done.” Here, we anchor on business culture and share how to drive behavioral change through re-envisioning your operating model. We share key Reset4Value actions to help your business drive smart cost decisions when facing today’s uncertainty.

FOUR ACTS

Of Unconventional Leadership

Performing the “Four Acts of Unconventional Leadership” in a cohesive, self-reinforcing whole drives the organization to Reset4Value. This is key to fusing your cost transformation efforts together. Many times, leaders may re-envision customer value and segment their costs, but do not take further steps to link their cost, growth and investment agendas or ultimately change the organization’s behaviors.

1
Anchor on customer value

Align on what the firm is inherently good at

2
Focus on making hard trade-off decisions

Assess your differentiated capabilities

3
Optimize cost and increase efficiency

Treat costs as investments

4
Change how the work gets done

Leverage culture strengths

RETHINK CULTURE

And organizational behaviors

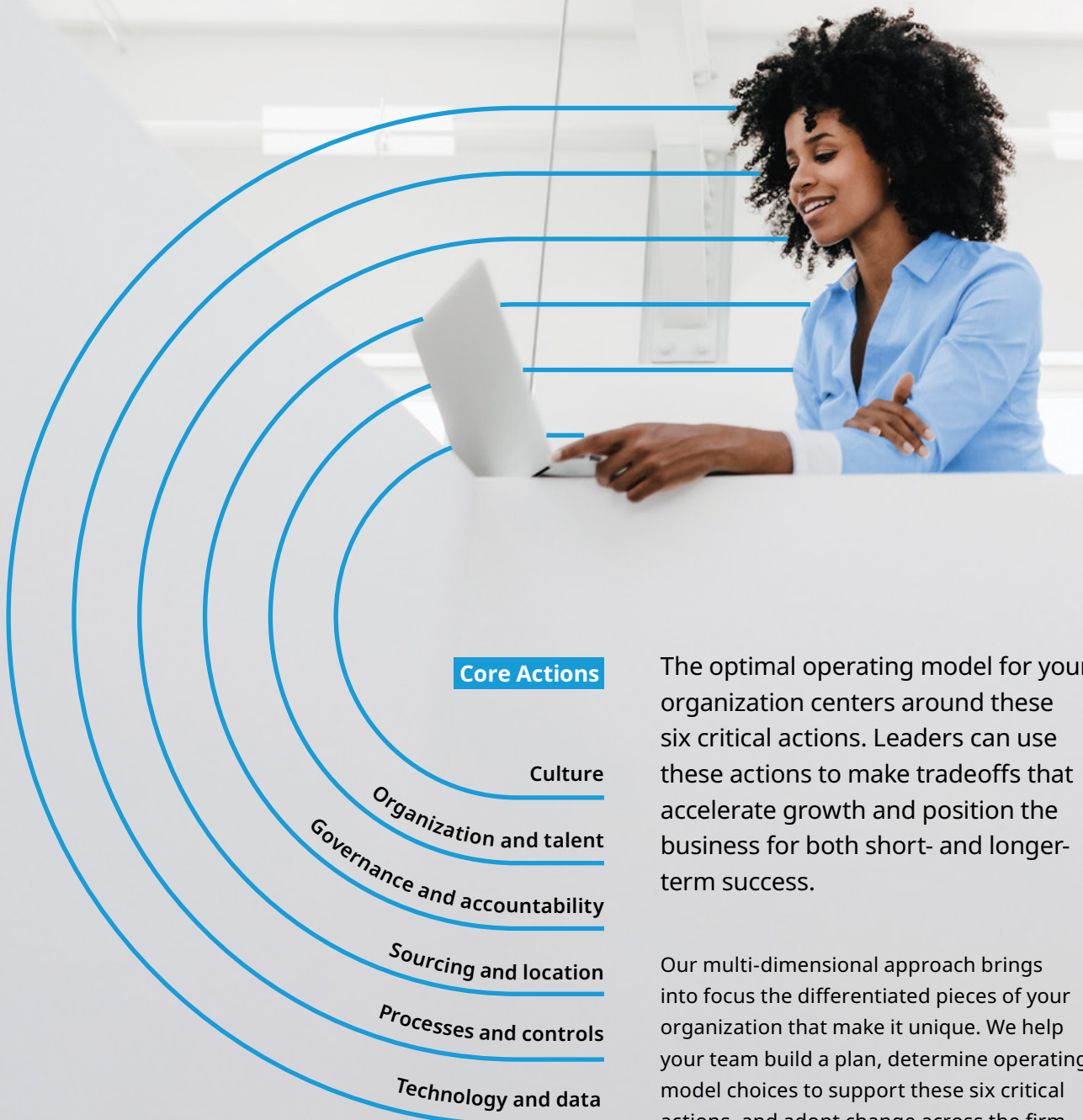
Every company has its own, unique DNA. To reset your operating model and create long-lasting growth, you must understand the core culture and organizational behavior of your firm — from the CEO to frontline employee. This is more than standing up new teams, defining goals and creating new initiatives — it’s about:

- Adopting and embracing new behaviors within every facet of your organization
- Measuring success
- Identifying reinforcement mechanisms to make transformation sustainable

Using our approach, leaders can pick their spots for quick wins, reallocate resources to the highest priority areas, and accelerate self-funding to monetize new capabilities.

TRANSFORM

THE OPERATING MODEL



Core Actions

Culture

Organization and talent

Governance and accountability

Sourcing and location

Processes and controls

Technology and data

The optimal operating model for your organization centers around these six critical actions. Leaders can use these actions to make tradeoffs that accelerate growth and position the business for both short- and longer-term success.

Our multi-dimensional approach brings into focus the differentiated pieces of your organization that make it unique. We help your team build a plan, determine operating model choices to support these six critical actions, and adopt change across the firm.

Core Action 1

LEADING THROUGH CULTURE

Success is powered by the entire organization

A firm's business culture is defined by natural traits or DNA, that is unique to their organization. It's this distinctive blueprint that helps differentiate your organization from competitors. For example: **What drives and motivates your firm's talent? What are long-standing attitudes and beliefs? What are your firm's lived values and cultural traits?** All too often, people misinterpret a healthy organizational culture. The people are nice; it's a positive environment; there are office events and team gatherings. Yes, those can be outcomes, but this does not define an organization's culture.

Leading through culture is the foundation for driving a sustainable transformation and to further enhance business-as-usual (BAU) type behaviors. It ensures that resources continue to flow into the "good" costs,

growth and investment agendas we identified in our [last paper](#). No matter the other changes you make across the enterprise, such as cost savings, increased investments, none of that can continuously work until behaviors are aligned and you change how the people within your organization work. To make this successful, it requires an organizational mindset shift change and the ability to empower employees in their everyday jobs.

Once the culture has been defined, the next step is to lean into the other actions and create an environment that rewards the target culture. Employees should be incentivized to live into the desired behaviors, rather than penalized through long-standing norms. Otherwise, when something goes wrong in the future, people will fall back into old habits and behaviors.

Illustrative examples of culture traits in companies

A

- Client-first
- Driven
- Loyal
- Entrepreneurial

B

- Healthy conflict
- Results-driven
- Authentic communication
- Adaptable

C

- Digital-first
- Start-up mentality
- Trust

Some companies adopt mantras shared with all employees to reinforce the desired behaviors; for instance, Company A shared "Plan, Prioritize, Communicate" and Company C shared "Lead from every seat."

Lead transformation through culture and changed behaviors.

Core Action 2

STRENGTHEN ORGANIZATION AND TALENT

To change behaviors and the way the entire organization works, it's important for leaders to assess the firm's holistic organizational design. This spans control, talent development practices, organizational design and succession planning.

For example, when a newly appointed CEO began leading an international conglomerate, the CEO took careful consideration of the entire organizational design. The reporting structure, team sizes and accountabilities signaled the importance of broader company priorities and encouraged collaboration

toward focused results. The CEO's strategic organizational design changed the way people worked and included:

- Embedding corporate functional teams within the organization's divisions (for example, marketing teams reporting directly into Business Unit Leaders)
- Shifting the Chief Communications Officer and team to report directly into the Chief Strategy Officer, signaling the importance of communications in the broader company strategy

CFOs NEED TO BUILD THE RIGHT MIX OF TALENT ON THEIR TEAM

During our discussions with Finance teams, we found that COVID-19 has reinforced the broader, strategic advisor role that Chief Financial Officers (CFOs) and their teams are taking on within the business. Additionally, increased use of enabling technologies and advanced analytics has led to technical knowledge being more essential in Finance and in other areas. However, 43% of the CFOs we spoke to said their workforce is not well positioned to support this shift. This is due to compounding factors, such as difficulty in attracting the necessary talent; changing career attitudes of younger, talented employees that move onto other roles; and issues with training more tenured employees.

The progression of new finance talent requires shifts in behaviors, communication and continuous learning.

When assessing talent initiatives companies need to focus on these three key areas.



Attraction

Gear recruitment efforts to attract strategic thinkers with process-oriented skillsets



Reskilling

Experienced, senior talent can also be paired up with digitally savvy, junior employees to transfer learnings between both groups.



Retention

Prioritize training, leadership development, and rotational programs to retain data-savvy junior talent in a competitive environment

It's important to also offer interim projects outside of Finance so employees can develop new skills and experience within the business.

Core Action 3

IMPLEMENT GOVERNANCE AND ACCOUNTABILITY

Introducing clear decision rights, targets, and an overall commitment to shared goals can help create a collaborative and driven organization. True accountability empowers employees in their everyday jobs and enables them to regularly engage in productive, unfiltered conflict around substantive business issues. Employees can hold one another accountable to commitments and behaviors as they put collective priorities and needs first. When corporations neglect to establish strong governance practices, the consequences can be dire. Unfortunately, we've seen several organizations fail to set up the right corporate governance and experience problematic outcomes.

Decision-making frameworks provide bolder actions to support organization governance and accountability. There are frameworks out there that can improve clarity around who is making decisions and how to partner across a matrixed organization to drive meaningful change. Accountability can lead to stronger empowerment while also eliminating unnecessary staff work, confusion and bottlenecks.

Core Action 4

MANAGE SOURCING AND LOCATION

Sourcing and location can influence your geographic footprint, talent markets, real estate investments, process efficiencies and a variety of other benefits.

Taking steps to better leverage a broader geography, a large property and casualty (P&C) insurer began to remove "headquarters" from its vernacular in 2018. For years, it had operated through its primary home office, supported by regional offices, call centers, claims offices and other small branches across North America. But, as it worked to achieve transformational growth and future-proof its business, it could no longer operate its recruiting and retention efforts through a status quo approach. Instead, the P&C insurer introduced "employee hubs" that opened recruiting to larger talent markets from coast-to-

coast, and even began to encourage remote hires. The results proved positive; employee satisfaction increased, alignment to the company's purpose improved and results continued to strengthen. In fact, the insurer's workforce was better prepared for the unexpected pandemic — virtual collaboration had already become a normal way of connection and collaboration.

Over time, leaders may find there are activities that require new partnerships (for example, application development, mailroom intake and sorting, fintech and insurtech enhancements) or adjustments needed to support the strategy. This opens the door for stronger operations, new perspectives and a diversified portfolio.

Core Action 5

MODERNIZE PROCESSES AND CONTROLS

Organizational processes and controls are often ripe for optimization and efficiency improvements. Rising “digital-first” customer expectations are forcing organizations to innovate, including providing much closer interactions with clients. Winners will be the “digital adopters,” who are able to rapidly evolve their servicing models for new products and demands.

Organizations tend to adopt individual process improvement tools and techniques (robotic process automation (RPA)). Achieving end-to-end digitization and capturing the full potential of benefits requires instilling capabilities that enable an organization to operate as a tech-powered business such as:

- Interdisciplinary teaming across business and technology
- Processes treated as products, with owners, budgets, backlogs and release cycles

- Re-invention that starts with the end users and working backwards
- Cultural conditions for continuous improvement

For example, an insurance solutions and marketing firm was looking to holistically transform their operational support team, with the goal of enhancing customer experience and increasing operational effectiveness. This was a transformative journey that encompassed a diverse set of clients, including banks, credit unions, and others. The organization deployed a “digital-first” operating model supported by next-generation tech capabilities, including cloud telephony technologies, AI, robotics and digital workflows. The combination of these changes increased efficiency by more than 30%, enabling incremental revenue growth.

Core Action 6

LEVERAGE TECHNOLOGY AND DATA

Technology and data are the tools used to power much of the organization and often provide key insights for future growth. In 2017, an athletic apparel company made a big bet on investing in technology and data. Complemented by their commitment to creating customer value, they viewed the tech and data as the path to achieve direct-to-consumer success.

The multinational corporation accepted the necessary trade-offs to invest in core capabilities and leaned into a digital ecosystem for its customers. They made a big change in their standard behaviors — narrowing the scope on external distribution to truly focus on enabling direct-to-consumer. While they kicked-off

this work in 2017, the corporation underwent a multi-year journey and stayed the course even when net income faltered in 2019. By 2020, (during the unexpected pandemic), the company turned the corner and became leaders in online experiences for customers, powered through predictive modeling tools, data-driven personalization and strong forecasting analytics.

Firms need to think in terms of capabilities. Yes, companies can simply take cost-cutting measures; however, when leaders directly connect capabilities to value this allows firms to invest in what matters most and ultimately drive growth.

MEASURE

FOR SUCCESS

Reset4Value is not a one-time program. Establishing cross-functional metrics is critical to breakdown silos, measure long-term impact, and ensure a sustainable future.

Even though performance metrics are conceptually simple, many times organizations have difficulty in instituting effective programs. Often there is no clear linkage between operational performance measures and transformation objectives — measurement is very low level or tactical.

Although performance targets are established at senior levels, there is limited accountability for performance at the operational level.

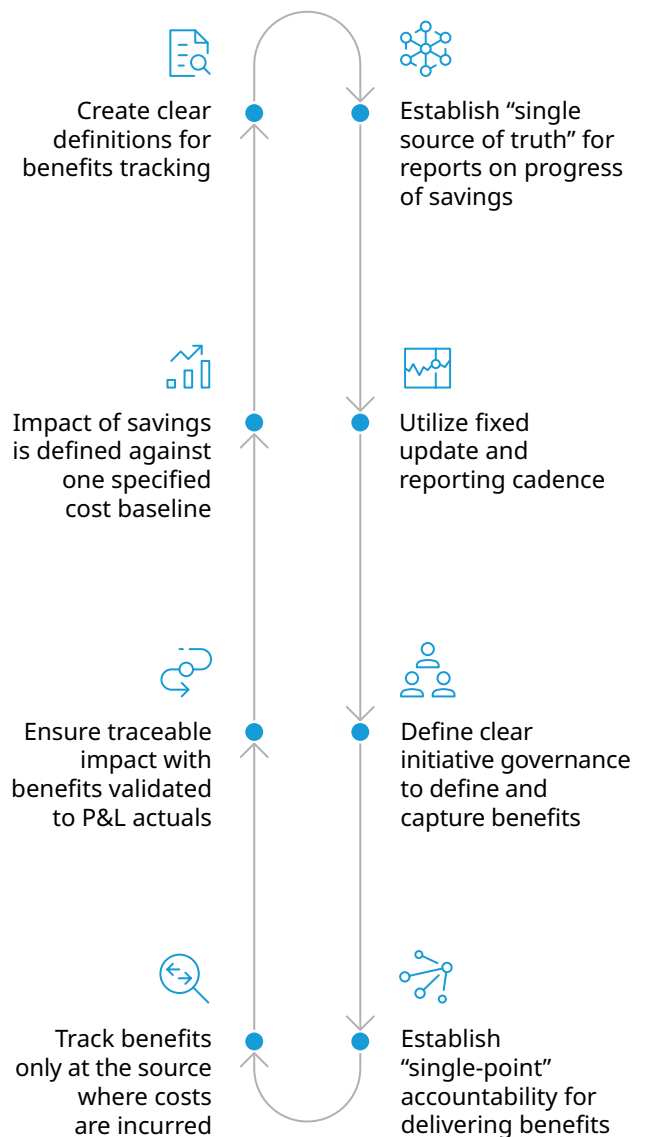
Successful cost transformation metrics commonly exhibit several key characteristics.

The metrics need to:

- Measure overall performance on what customers value most and the organization's differentiated capabilities
- Align the effectiveness of the transformation, with day-to-day operational performance
- Identify the underlying factors that affect changes in operating model performance
- Make reporting easy and focus on "productivity measures" that relate to individual areas

A small set of transformation metrics should be cascaded and included in multiple dimensions to provide a holistic view across organization. Together, these metrics can be used holistically to measure long-term value creation and ensure continuous improvement.

Establish a metrics methodology to measure impact





GET STARTED

Reset4Value generates results fast, while simultaneously designing the path to long-term value creation. At Oliver Wyman, we have worked with multiple CEOs and their leadership teams to make the right types of decisions and position their business for accelerated growth. Our Reset4Value playbook offers a fast, structured approach to bring large opportunities into plain sight and allow a true view of your firm's differentiation. The time to get started is today.

Oliver Wyman is a global leader in management consulting. With offices in more than 70 cities across 30 countries, Oliver Wyman combines deep industry knowledge with specialized expertise in strategy, operations, risk management, and organization transformation. The firm has more than 6,000 professionals around the world who work with clients to optimize their business, improve their operations and risk profile, and accelerate their organizational performance to seize the most attractive opportunities.

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