Designing Dynamic Operations
How Companies Can Turn Permanent Volatility into a Permanent Competitive Advantage

High performance. Delivered.
Business conditions are changing fast. Faster, some say, than ever before. Faster than many companies are comfortable with. And certainly faster than most can accommodate.

Accenture calls this seemingly relentless pace of change “permanent volatility.” Ongoing economic uncertainty and endlessly fluctuating commodity prices are good illustrations. So is accelerated commoditization. Wildly fluctuating demand, particularly in emerging markets, also exemplifies permanent volatility.

Fortunately, with the right insights, strategies and actions, business leaders can turn permanent volatility from a liability to a leverage point. The linchpin is “Dynamic Operations.”

**Dynamic Operations Defined**

Dynamic Operations refers to global networks that respond to changing events by smoothly reorienting themselves. When market opportunities arise or disruptions occur (supply interruptions, financial turmoil, market shifts, weather disturbances), processes at any node can be modified. Four capabilities make Dynamic Operations possible (see Figure 1):

- **Insight to Action**—rapidly capturing, synthesizing, analyzing and utilizing information. Consider clothing manufacturer Zara’s ability to monitor trends, capture and synthesize data, and make smart, last-minute production decisions. Following Madonna’s performance in Spain, an outfit identical to the one she wore in concert was selling in Zara’s stores three weeks later.

- **Adaptable Structure**—creating products, processes and systems that are easily modified in response to changing conditions. The best example might be flexible manufacturing. When Dell abandoned its monolithic supply chain in favor of four distinct supply chains, it also launched synergy-enhancing and complexity-reducing initiatives that increased manufacturing flexibility, raised forecast accuracy and slashed inventories by 99 percent.

- **Flexible Innovation**—making design and development processes less rigid with simpler products, more interchangeable components and faster changeover times. Ski-apparel maker Sport Obermeyer practices flexible innovation by leveraging “push” and “pull” systems. Products with low uncertainty and price are manufactured in advance using long-term forecasts (the push strategy). Production of low-predictability, higher-risk items is delayed until clear demand signals have been received (the pull strategy).
Agile Execution—rapidly adjusting supply chain actions by dialing capacity up and down, improving collaboration, formulating supplier contingency plans and implementing advanced technology such as predictive analytics. A global consumer goods company practiced Agile Execution when it scientifically determined the optimal number and function of its manufacturing facilities. The precise balance of economy and flexibility helped the company minimize risk, while dramatically reducing raw materials and transport miles.

The Dynamic Operations Opportunity

Dynamic Operations is a concept whose time has come. On the one hand, Dynamic Operations is an opportunity generator—a chance to turn permanent volatility into a permanent, profitable competitive advantage. But Dynamic Operations also is a risk mitigator—a way for companies and their supply chains to respond more rapidly and resolutely to market shifts, supply disruptions, economic flux, currency swings, political turmoil, security threats, labor issues and other forms of turmoil.

Dynamic Operations' vital duality is also demonstrated by its impact on a company's top- and bottom lines. Supply chain decision making, for example, tends to focus most intently on taking costs out of the business. But with Dynamic Operations, today's companies can also make the supply chain a revenue enhancer and profit builder.

Raise revenue and profitability

Dynamic Operations can help companies adjust to market opportunities more quickly than competitors; make rapid, rational pricing adjustments as circumstances shift; and accelerate speed to market to capture new customers. In effect, companies' operations become more robust financial engines: drivers of dramatic improvements in flexibility, adaptability, stability, predictability and, as a result, profitability.

Contain costs

Volatile drives up an organization's costs by complicating inventory and supply management, undermining transportation and distribution efficiencies, and reducing or interrupting economies of scale. By helping companies anticipate and respond quickly to disruptions, Dynamic Operations can increase cost transparency, improve process management, enhance material sourcing, improve labor utilization and boost working capital efficiency.

Developing Dynamic Operations

Detailed analyses are needed to help companies ascertain the nature and level of benefit they might derive from Dynamic Operations. However there also are explicit warning flags that signal a problem in need of addressing as well as a benefit worth pursuing:

- Does your organization have access to real-time data? Is it available to the people who need it?
- Are you able to make quick, well-informed decisions that rapidly and consistently optimize cost/benefit tradeoffs?
- How quickly and effectively can you realign people, processes and assets to address changing customer preferences?
- Are your sourcing strategies flexible enough to accommodate unexpected swings in demand?
- Does innovation drive complexity or flexibility for your organization?
- How long has it been since your operating model changed? How much has the business environment evolved during that time period?

Accenture can help address these critical questions and determine the extent to which Dynamic Operations can capture opportunities and deal effectively with volatility-related problems through an executive-level Dynamic Operations assessment. The assessment pairs financial metrics with a Dynamic Capability Index—a mechanism that quantifies a company's current competence in each of the four capabilities and the value associated with moving to a greater level of proficiency. Deployment of a Dynamic Operations Framework can then guide our collaboration through a trio of stages:

- A Diagnose phase concentrates on how a company's operations strategy is aligned with its business strategy. From there, the company's operational basis of competition is defined, current performance is assessed, and gaps and opportunities in the operating model are identified.
- During the Design phase, needed capabilities are prioritized and key performance indicators are used to determine the impact of those capabilities.
- For the Transform phase, project-specific initiatives are defined and process governance parameters are set.

Choosing to Become More Dynamic

Dynamic Operations represents a largely new direction conceptually, physically and technologically. In effect, companies may need to think differently, function differently and even apply new priorities—choosing to be less-tightly integrated, rigid and standardized, and more flexible, adaptable and agile. The key word is choice. Based on their individual priorities, companies can choose the path they take to achieving Dynamic Operations. What isn't really a choice, however, is ignoring the dangers of today's tumultuous business environment, as well as the opportunities that environment presents. In this context, Dynamic Operations may well be an imperative.
For More Information
To learn more about how Accenture can help you develop more dynamic operations go to www.accenture.com/dynamic, or contact:

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