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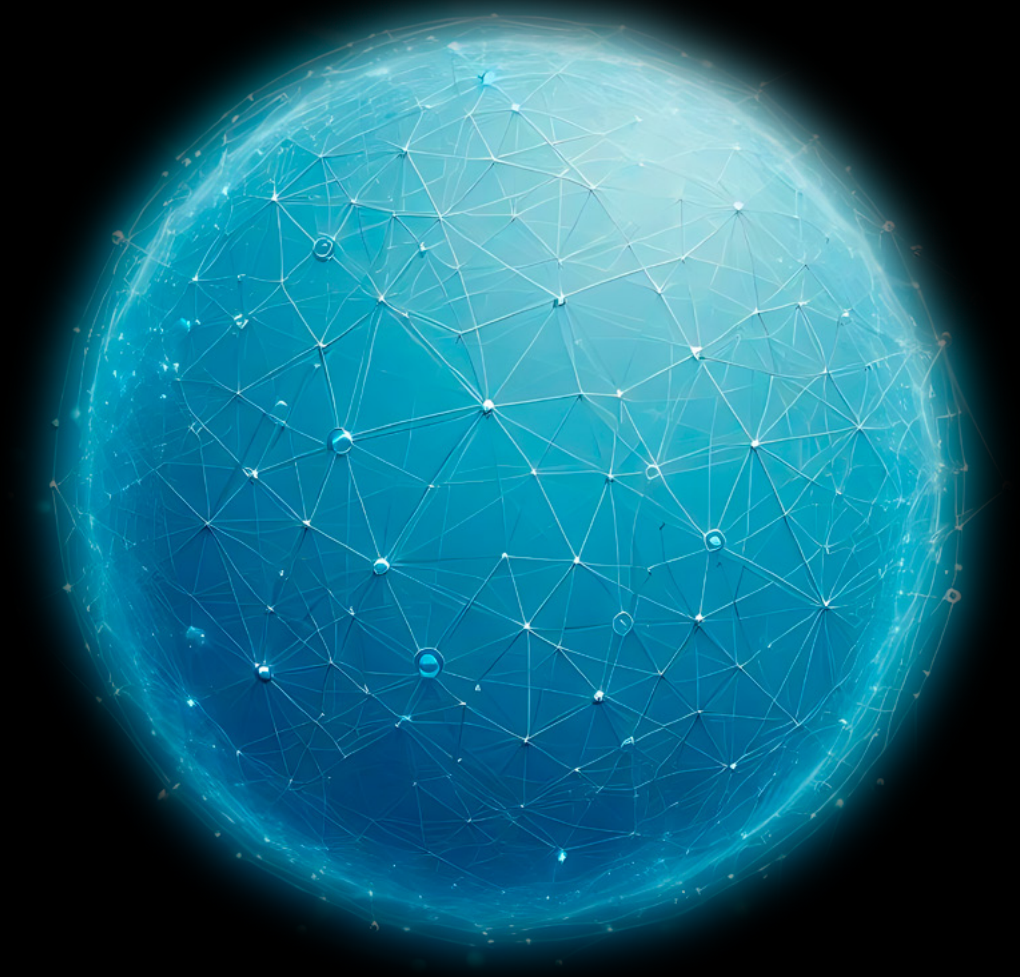

Rethinking productivity:

Materially more with materially less, at maximum pace

Autumn 2025

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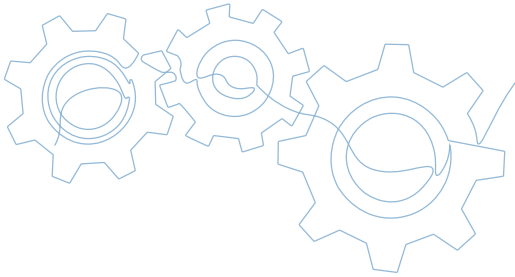


Introduction

We need to think again about productivity.

The definition of productivity has fundamentally shifted – what it takes to deliver productivity today, and in the next few years, is vastly different to that seen previously. What drove success yesterday – achieving efficiency at scale in a stable world – is insufficient in today's volatile environment.

Most organisations have been built to thrive in a stable world; predictable geopolitical landscapes, rapid but manageable technology innovation, minimal interest rates and low cost of capital and rising demand. Success was predicated on high minimum efficiency and scaling with confidence. In essence, productivity was about doing more with less resources, demonstrating volume growth, increasing profitability and delivering high returns on invested capital. Even then, productivity was hard to achieve.

These relatively 'favourable times' are evaporating as enterprises and their customers struggle with political and economic uncertainty and tighter budgets. The relatively unchallenging growth environment that businesses previously enjoyed has fostered customisation, manual processes and technological proliferation, resulting in burdensome admin and bureaucracy for many employees.

And then there is the constant fear of AI fundamentally disrupting established ways of working, systems and processes. AI is creating a whole new challenge, it's very easy to create a minestrone of experiments and proofs of concepts, but they are only worthwhile if you can deploy rapidly against the insights gained. Too often the result is complexity and distraction, rather than streamlined efficiency.

In parallel, investors are intensifying the pressure on business leaders, with ever increasing demands for volume growth and enhanced efficiency, innovation and prudent risk-taking. Just cutting costs is not enough, price-driven growth is unsustainable and achieving volume growth, even when opportunities are unclear, is increasingly difficult to deliver.

The solution lies in redefining productivity. While traditional approaches remain necessary, they are no longer sufficient in isolation. In addition to growth, profitability and return on invested capital, we must now add speed and flexibility. In our view, today's truly productive enterprise is one that achieves more, with less resources, greater flexibly, and at pace. The requirement for flexibility and pace will challenge established norms, for example, cutting overheads, the desire to minimise working capital, the value placed on monolithic corporate cultures, the traditional central vs local debate, approaches to managing technology and the role of business services, amongst others.

A truly productive enterprise balances growth and efficiency, prioritises simplicity, and above all, can rapidly shift capability and capital to exploit opportunity - speed and flexibility provide options, and those options themselves are invaluable.

The objective of this paper is to offer a way through the complexity, to break down productivity into its component parts and to start the debate on how to deliver and sustain it in this new context.

Challenges in delivering and sustaining productivity

Sustained productivity improvement beyond one-off cost-cutting or operating model changes is exceptionally challenging due to a number of reasons, including:

1. **Organisational silos:**
Most, if not all, organisations are siloed; often for good historical reasons. That said, silos, whether functional, category or geographical, perpetuate complexity and hinder efficient management of interdependencies.

2. **Customisation bias:**
Silos, and people, have strong customisation biases, resulting in layered complexity where the original reasons for exceptions are lost or overtaken by event. This results in exceptionalism and customisation becoming the norm.

3. **People and decision-making:**
Large organisations are comfortable; employees at all levels are risk averse and tend to focus on consensus rather than individual accountability.

4. **Leadership willpower:**
Driving and sustaining productivity requires exceptional collective leadership, willpower, stamina, ruthlessness, and long-term vision. Productivity is, at heart, a matter of people and process, yet executives are quick to dismiss change as 'fluffy stuff' and rarely embrace it as a key discipline.

5. **Metrics and incentives:**
There is often a disconnect between measured metrics and the value that enterprises intend to create, coupled with an overreliance on lag metrics and excessive planning, replanning, and reporting.

6. **Complex technology and data landscape:**
Often as a result of customisation biases, most enterprises have developed highly complex and expensive, legacy technology and data estates. Not only are these costly, it is difficult to obtain consistent and comparable data for informed decision making. Ironically, the resulting administrative burden further exacerbates these difficulties.

The urgency for re-evaluation

Several converging factors suggest that now is the time to re-examine productivity:

1. **Rapid advancements in scalable AI from hyperscalers.**
2. **Geopolitical and economic uncertainty driving appetite for change.**
3. **The rising cost of capital.**
4. **Increased focus on risk management.**
5. **The challenge of achieving returns through traditional investment models.**

These factors have been recognised in recently announced UK industrial strategies and the Draghi report[1] on European Union competitiveness, arguably creating an environment for transformation that moves beyond mere cost cutting.

[1] Draghi report - The future of European competitiveness: Report by Mario Draghi: The report looks at the challenges faced by the industry and companies in the Single Market. It outlines how Europe will no longer be able to rely on many of the factors that have supported growth in the past.

Delivering and sustaining a new form of productivity

Achieving sustainable productivity today requires a holistic approach, encompassing interconnected, and sometimes overlapping elements. These elements are set out in figure 1:

Figure 1: A new productivity system

Let's analyse each element:

1. Simplification & bias to standardisation:

Customisation must become a bias for standardisation, either functionally or driven by a shift to end-to-end workflows with clear Global Process Owners. The starting point for productivity improvement has to be simplification; reimagining processes, what gets done, where and by whom so that every activity is performed at the right level, balancing flexibility, speed and efficiency. Our own experience suggests that employees across functions spend up to 50% of their time on unproductive administrative tasks, presenting substantial opportunity for improvement. Simplifying these processes drives transparency, facilitates task accountability, distinguishes essential from legacy data/ technology, illuminates cost drivers, minimises opportunities for exceptions, and ultimately facilitates more informed decision-making.

2. GBS as a transformation agent:

Simplifying processes allows you to supercharge the role of GBS. In many organisations GBS has evolved as an outcome of transformation; the dustpan of corporate loose ends and a way to handle problems more economically. GBS should be a driver of transformation, enabling simpler workflows and releasing capacity, liberating market teams to focus on growth. Historically, the move to end-to-end workflows was an aspiration that risked delivering more disruption than benefits. The rapid progression of agentic AI and supporting technology vendors will accelerate the realisation of promised benefits from end-to-end workflows.

3. Rethinking tech development:

For too long, organisations have revelled in conducting their own technology experiments, particularly in AI, citing 'competitive advantage'. With the right arrangements and guardrails, there is the opportunity to push technology development risk onto external partners, allowing the enterprise to refocus on core competencies.

4. Repurposing released capacity:

It is futile releasing capacity if that capacity is not repurposed to drive value adding activities and responsiveness/ speed. This is increasingly evident at an end-market/ business unit level. Clarity across your operations on where flexibility and redundancy is mission critical.

5. Revised metrics and incentives:

Today's productivity will require the enterprise to develop more sophisticated and interesting metrics to describe simplicity, flexibility, speed and resilience, cascading these to key individuals and investors as required.

6. Cost discipline:

Discerning cost management is crucial. Simply cutting costs, particularly in areas critical to flexibility and speed, can be detrimental to long-term performance. For example, working capital reduction may not always be optimal, and reliance on traditional cost benchmarks can be misleading. Staying lean has always been harder than getting lean. Maintaining operational leanness demands continuous, discerning effort; it is a foundational capability requiring a right-sized cost base that delivers both efficiency and the flexibility to adapt to evolving market dynamics.

7. Reimagined workforce:

The evolving hybrid workforce necessitates a two-pronged approach. First, leveraging agentic AI to execute on standardised and repeatable tasks, enabling a transition from wage arbitrage to technology arbitrage, simultaneously reinforcing standardisation. The second shift demands a refocus on value-add skills, particularly the exercise of judgement - the ability to make rapid decisions with an understanding and acceptance of business risk and commensurate accountability - to drive agility and responsiveness in pursuit of growth. While this will be a significant change for many, it is something the military has taught for decades; there is no reason why it cannot be adopted in the corporate world.

8. Organising genius and leadership will:

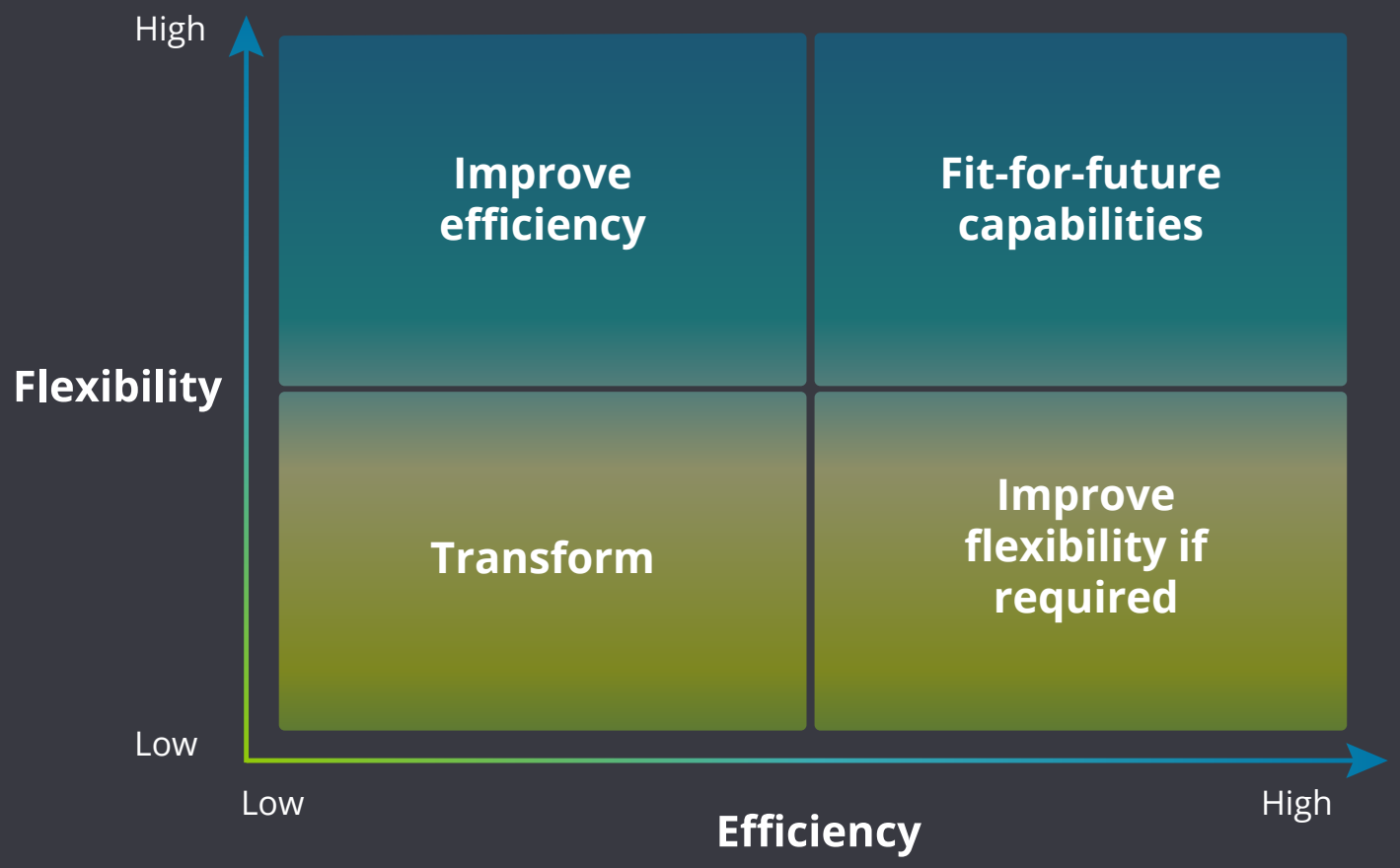
Sustained productivity improvement requires an 'organising genius' - a small but dedicated capability to choreograph, shape, measure, adjust and manage continuous change. Too often initiatives are treated as isolated projects rather than an ongoing commitment. Equally crucial is demonstratable leadership will. Productivity can only be an enterprise-wide endeavour and cannot be a delegated activity, it must be led from the very top, sitting alongside the CEO and CFO.

Authors' note:
Each element above is a grand topic, and worthy of detailed examination. It's not been our intention in this paper to delve into each in depth, but to stimulate a new discussion on what productivity means for enterprises today, and how this can be achieved.

While not all these elements may apply to a particular enterprise, we maintain that the truly productive enterprise of tomorrow will manage these elements as an integrated system.

We urge all leaders to challenge outdated practices and behaviours that hinder efficiency, with the diagram below offering a starting point for the examination of an organisation's capabilities.

Figure 2: Rethinking capabilities



As suggested in Figure 2, whilst all capabilities should be efficient, not all capabilities will need to be flexible too.

Services and contacts

We at Deloitte have experience in each of the elements described above, but more importantly, we can bring them together to support organisations to design and execute on their productivity journeys. The team on the right side is an example of the mix of capabilities that need to work in concert to unlock productivity.

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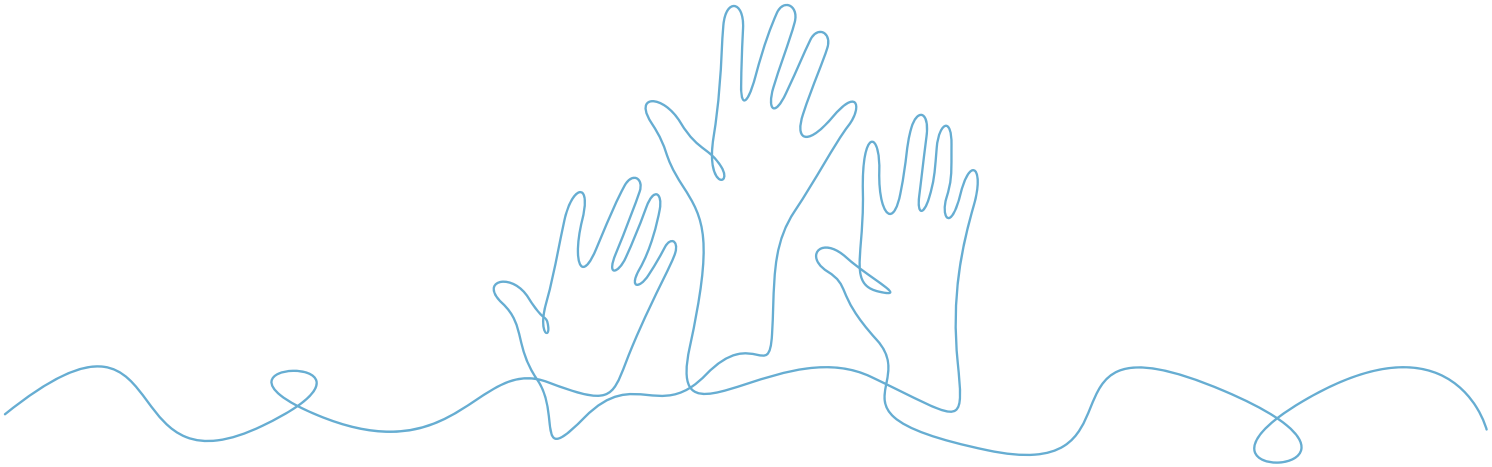

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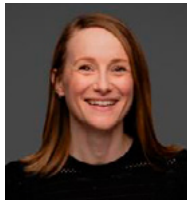

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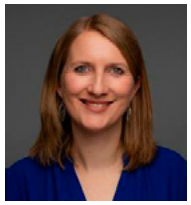

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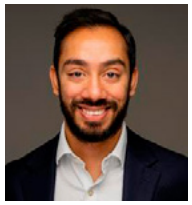

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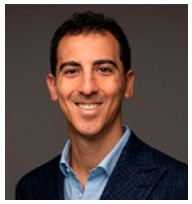

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