Resilient Edge: A Business Vitality Podcast from Deloitte

S2 EPISODE 4 — Inside the Industrial Reinvention

TRANSCRIPT:

00:00:02 **Tamika Bell:** The majority of organizations that really embark on these transformation initiatives are not successful. They're not successful because they don't have that strategy. They don't communicate a strategy through all levels of the organization. And we have to remember that it's not just top-down or bottom-up, it's all of us working together.

00:00:26 **Chip Kleinheksel:** Hello, and welcome to season two of Resilient Edge, a Business Vitality podcast from Deloitte. I'm Chip Kleinheksel, the Chief Technology Officer of Deloitte's global SAP Alliance. In this series, we're talking about how businesses are transformed by looking at the most pressing issues that organizations have to contend with today. The question at the heart of our series: How do companies and leaders go from thinking about change to actually making it happen at scale?

Today we're diving into the energy sector. This is an industry facing multiple challenges in different arenas. A complex regulatory landscape, supply chain vulnerabilities, pressure from investors, and unprecedented global instability. And just to say, we know that the energy resources and industrial sector has a profound impact on the environment. The industrial sector alone accounts for 6.5% of the world's greenhouse gases. For many of our clients within ER& I, like Mitsubishi Chemical, responding to this is a major challenge and not a quick fix. So how do you build resilience when everything from geopolitics to weather can disrupt your business?

For Resilient Edge, we're going to talk about companies that aren't just surviving this complexity, but turning it into a competitive advantage. I'm joined by two experts navigating the thick of this transformation. Tamika Bell, Head of Digital for the Americas at Mitsubishi Chemical Group, and Rahul Chhatwal, Principal and Global Energy and Chemicals SAP Leader here at Deloitte.

Great to have you on, Tamika and Rahul. Can you tell us a bit about your roles so listeners know where you're coming from on this topic? Tamika, let's start with you.

00:01:58 **Tamika Bell:** Yes, of course. Thank you, Chip. As the Head of Digital for the Americas region, I am responsible for not only developing, but leading digital strategies, transformation initiatives, and technology solutions that drive operational efficiency, business innovations and long term sustainability across the region. And one of the things that is so great about digital is that we sit at an intersection of manufacturing and supply chain and enterprise systems, which is all part of the full end-to-end value chain of the business. And because of that, it's critical that we understand the challenges that our businesses face so that we can deliver solutions that build the foundation of achieving organizational goals and objectives.

00:02:37 **Chip Kleinheksel:** Awesome. Thanks so much, Tamika, for being on.

Rahul, you and I obviously know each other, but tell the audience what your role is and what do you do in this area?

00:02:45 **Rahul Chhatwal:** Thanks for the opportunity, Chip. So on a program with Mitsubishi Chemicals, my role is to be the global lead partner for the transformation program. This is an exciting opportunity for all of us because Mitsubishi Chemicals is addressing some of the heart of industry issues globally as they embark on this business transformation journey. We're looking at issues ranging from a lot of complex IT landscape, utilization of bad data in place. Looking at, with the ambition of cost reduction across the board, and looking at adopting standard processes where possible and really focused on these competencies where Mitsubishi wants to focus on and build capabilities across the board. So I'm really excited to share some of the things that we are observing at Mitsubishi and in general in the industry today.

00:03:38 **Chip Kleinheksel:** Well, great to have you both on. Let's start by getting a sense of the factors at play here. Tamika, what are the biggest challenges you're dealing with right now? Give me your top two or three within the industry and at Mitsubishi Chemical.

00:03:50 **Tamika Bell:** Sure. And, Chip, I think that you refer to them in your opening statement. First and foremost is the energy transition and regulatory pressures. Our obligation to our people and to our planet to reduce our carbon footprint. So that's one.

And secondly, I would say as you had mentioned before, supply chain disruption, fee stock volatility. Having to effectively manage, making sure that we have the right material at the right time and we're working around the disruptions that happen that's outside of our control is something that's quite challenging within the entire industry.

And then lastly, digitalization. So coming from one of the oldest industries in the world, we are made up of very complex, fragmented systems that really don't give us the visibility that we need to make effective decisions immediately. So starting the journey or embarking on the journey of digitalization with a purpose is quite challenging at the time when you're trying to not necessarily win the race. It is coming down to speed in the time that we are in today, but how do you expeditiously transform your organization and make sure that you come out on the other end delivering value is something that is quite challenging within all organizations I believe today.

00:05:16 **Chip Kleinheksel:** I joked when we were coming up with and saying, well, what industry should we focus on? Should we do energy, should we do consumer products, et cetera? And we were looking for an industry where we knew it was faced with challenges, but companies like yourselves were finding ways to navigate. I think based on what you just listed, there's plenty of challenges that are being faced.

00:05:36 **Tamika Bell:** There's plenty of challenges, yes. And honestly, it's not necessarily narrowed down to the chemicals industry, to the energy industry. I think the same challenges, the high level challenges that I'd mentioned, I think a lot of organizations in all industries are facing those challenges. And what we need to ask ourselves as an organization is how do we truly navigate through these challenges that are really outside of our control to ensure that we are delivering value? Not only internally within our own four walls, but to our customers.

00:06:07 **Chip Kleinheksel:** Rahul, from where you sit and from the conversations you're having with leaders in the industry, what are the forces shaping this industry right now, say at a 30, 000-feet level?

00:06:17 **Rahul Chhatwal:** Building on some of the points you already touched, Tamika and Chip - the supply chain volatility, geopolitical conditions which unfortunately impact this industry right at the head, we're seeing trends where there's a lot of M& A activities in this industry. There's a growing interest in private equities identifying opportunities where they can actually run parts of the businesses. It's almost impossible for this industry to operate in status quo. There are absolutely burning pressures on profitability, on some of the segments of business.

And, Chip, you mentioned energy, and I look at it as energy and chemicals.

00:07:00 **Chip Kleinheksel:** Yeah.

00:07:01 **Rahul Chhatwal:** The value chains here are very complex. This is not a very linear oil and gas type business. Here, when I sit in a room, I look around, almost every product, everything we see in the room has some competence that has been some way or shape, Mitsubishi products have contributed to the manufacturing processes. So Mitsubishi, if you look at it, has a wide range of products from some commodity-type products to some very specialty products, like carbon fiber, semiconductor supplies.

When I look at all of these, it's super important for companies and industries to identify what are their sweet spots and where they really want to emphasize and focus on building their capabilities and competencies. While - really look at mundane, repeatable commodity-type processes and think about those as areas where you could adopt standards, adopt industry best practices, and so on.

So if I have to summarize the common themes that I'm noticing, how do we improve the yields across chemical manufacturing? How do we optimize costs across businesses? How do we focus on sustainability and regulatory and compliance reporting? And last, but not the least, Tamika mentioned about so many disparate IT organizations. How do we create a model that is long term sustainable and ready to adopt and offer agility that the businesses need today?

00:08:26 **Chip Kleinheksel:** It's funny. I was going to summarize them up, but you just did it nicely, Rahul, yourself.

So what are the priorities here? What is really most pressing among these challenges for the both of you? And what have you seen being the cost of not solving them for other companies?

00:08:44 **Tamika Bell:** The priority for me that I would think that organizations would need to tackle first is digitalization. And, in order to do that successfully, we have to start with our people, we have to start with our mindset, we have to start with our culture. And really ask ourselves, are we ready to become a digital-first organization?

That's one of the things that's very, very challenging within an organization once you embark on that digitalization transformation journey is that culture. To get people to understand what true transformation means, to get beyond buzzwords. Because hearing things like transformation, center of excellence, things of that nature, these are very popular phrases. But how do we embed these into our organization? That's first.

Focusing on our culture, making sure that we're ready to transform our organization, but digitalization is the first. To understand where we're disparate, to understand our current state, what our current processes. Let's identify the gaps, let's identify the areas of opportunities.

Let's ensure that we understand where we want to be in 20 years or 30 years. And then let's start working backwards so that we can make sure that we're building scalable solutions in order to achieve our goal within 10, 15, 20, 25, 30 years from now. That's where we begin.

00:10:05 **Chip Kleinheksel:** I like that. Folks who've worked with me would say, "I always love that approach." Of, well, what's our vision? What's our vision for what we would truly want to get to? Then what must be true to get there and what's the ultimate roadmap?

00:10:16 **Tamika Bell:** Right.

00:10:16 **Chip Kleinheksel:** We may not be able to do all of them right at first.

00:10:18 **Tamika Bell:** Exactly.

00:10:19 **Chip Kleinheksel:** But at least we are on the path to that vision.

00:10:23 **Tamika Bell:** At least we have a vision.

00:10:23 **Chip Kleinheksel:** That's exactly right.

00:10:23 **Tamika Bell:** We have a path, exactly. We have a strategy.

00:10:25 **Chip Kleinheksel:** Rahul, what about you? What are the most pressing among the challenges that you're seeing?

00:10:29 **Rahul Chhatwal:** You guys summarized it really well. I think it's super important to have that vision for where you want to be because there are several different roadmaps that you can create and no one organization is like the other. You can't templatize a digital transformation roadmap. Really, to understand where organizations sits today, what the culture for adopting change is, and sometimes the pace with which transformation's going to happen is going to be slower than some other places.

When I think about Mitsubishi Chemical, this organization's grown through several M&As of a period of the last 10 years. And there are a lot of post-merger integration-type work that's still not complete. And a lot of those, they become additive to what you're trying to solve and sometimes that adds up to the total time it's going to take for transformation.

So what I see is super important is to identify what should be the quick wins where you can start generating value for business. And while really, what should be some guiding principles for transformation that everybody believes in? Things that I feel are pretty repeatable, not value-add for processes, that typically should be the ones where we should standardize, where we should be looking at AI and agentic AI. But things that are really special where you're differentiating for Mitsubishi, that's where we need to spend more time transforming those processes.

00:11:59 **Tamika Bell:** Exactly.

00:12:00 **Rahul Chhatwal:** And I think the cost of not doing this can be dangerous.

00:12:03 **Tamika Bell:** It's very dangerous. It could possibly be the end of your business. I think that organizations are starting to realize that in order to gain the competitive advantage, you really need to digitalize. You need to start transforming your organization. And that's where I was coming from when I was talking about speed earlier. We're in a race. We're so insistent that we have to undergo a transformation, but are we truly undergoing a true business transformation?

And we really need to stop and we need to ask ourselves those questions because if we are running this race without the proper intention, then we're going to be sitting on technology that doesn't deliver any value. So how can we compete in this race, and on the other side come out with achieving our objectives and realizing that value?

And one of the things that we have to remember is throughout that race, throughout that journey, as Rahul discussed, what are those wins? Because in order to keep the business leaders engaged and we continue to have their buy-in, we need to deliver results throughout the journey. We can't wait until year three, and year four, and year five and say, "Here's your return."

00:13:15 **Chip Kleinheksel:** Well said.

00:13:16 **Rahul Chhatwal:** Yeah. Tamika, you put it beautifully. You and I often talk about, how do we continue to keep the executives excited about the program.

00:13:24 **Tamika Bell:** It's so important. One of the things that is said is that more than half of organizations, the majority of organizations that really embark on these transformation initiatives are not successful. They're not successful because they don't have that strategy. They don't communicate a strategy through all levels of the organization. And we have to remember that it's not just top-down or bottom-up, it's all of us working together.

00:13:51 **Chip Kleinheksel:** So, Tamika, you wrote about intentional transformation recently on LinkedIn. Can you tell us a little bit about that?

00:13:57 **Tamika Bell:** Yes. It was weighing on my mind, transformation and value and our vision. Embarking on a transformation without understanding the vision or without understanding the value that it really delivers. And I had the opportunity to attend SAP Sapphire, I joined with Deloitte. And while I was there, there was a breakout session on ‘vision to value'. That breakout session really resonated with me because it's one of those things that I practice and I try to deliver to any organization that I'm supporting.

And going back to those four core elements of business value, just four core elements. And that's cost reduction, operational efficiency, quality, revenue and profitability. Everything that we do within our organization, every initiative should tie back to those four core elements of business value. And because a lot of our organizations are so behind in digitalization, we feel this need to hurry and be in a rush to say that we are working on digitalization and we are transforming. But at the same time, I think that we tend to forget why we're doing this. We always have to really reset and level set, and make sure that every activity is tied to those four core elements of business value.

00:15:23 **Chip Kleinheksel:** And it's also, when you're in a transformation in the scale of a company as large as Mitsubishi Chemical-

00:15:29 **Tamika Bell:** Yes.

00:15:29 **Chip Kleinheksel:** ... it's easy for folks to get caught back up in, "Well, I want it to work this way because this is how I've always done it." And if you don't have the four levers that you mentioned, cost, operational efficiency, quality, and profitability, and map back to one of those four things, it's easy to just go replicate what you've already done versus actually transforming.

00:15:53
Tamika Bell: Right.

00:15:54 **Chip Kleinheksel:** That's a great way to say it.

All right, so let's talk solutions. Tamika, you've been tackling some of these challenges head on at Mitsubishi Chemicals. Can you walk us through how you approach that?

00:16:08 **Tamika Bell:** People first. I always approach this with a people first mindset. What does this mean for our people? What are our people doing? How can I make life better for our people? So I always consider our people first. Are we moving in the same direction? Is everyone on the same page that this is the direction that we need to move in? How we move going into that direction, I think alignment is much more important right now than agreement.

So making sure that we consider our people, making sure that we have a strategy. And then also, very important is to stop diagnosing the symptoms. If you are diagnosing the symptoms, you're only focusing on a subset of the challenge, of the issue, of the problem. We need to start diagnosing the system. And what I mean by system is that within our industry, and I think that I'm speaking for, even outside of the energy industry, we work off of a set of interconnected operations. That's the system that I'm talking about. The system that encompasses manufacturing and supply chain, and commercial, and R&D. That's the system that we need to focus on. Let's start diagnosing that system versus the individual symptoms, and that's where we start.

00:17:21 **Rahul Chhatwal:** Yeah.

00:17:22 **Chip Kleinheksel:** I love it. It's an end-to-end play.

00:17:24 **Rahul Chhatwal:** Yeah.

00:17:24 **Chip Kleinheksel:** It has to be end-to-end. And that ties in well, at Deloitte, we've developed Industry Advantage, which really is a framework deep in each industry of what are those end-to-end processes tied to those pre-configured solutions or AI solutions that we've developed. How have you seen Industry Advantage be critical in how companies can take advantage of this transformation?

00:17:46 **Rahul Chhatwal:** At Deloitte, if I look at the two biggest investments that we are making, one is AI and one is Industry Advantage. Because if you look at just AI, then the question becomes how do you make it relevant for the industries? The Industry Advantage is the construct that we are utilizing to bring together all our industry expertise, our experiences across the globe in one place in the form of end-to-end processes, in the form of end-to-end controls, in the form of what does culture in the industry look like. What are some of the signature issues all our clients are struggling with? How do we bring these solutions?

By the way, working with our alliances that become super important because the solutions, Chip, have become so complex now. It's no longer, hey, go implement an ERP and you solve everything. We got to look at the entire ecosystem of solutions and look at the best of breed. Of, what's the best fit of solutions to solve the problems?

I would give two examples. Deloitte's Smart Factory in Wichita is entirely based upon, how do we utilize the industrial automations and technologies to streamline all the four aspects that, Tamika, you mentioned? How do we focus on cost reduction? How do we look at profitability? How do we increase the quality of solutions, or quality of products? And how do we make customer-centricity the top focus area?

Another example is our greenhouses. While there are several across the world - I know, Tamika, you spent a lot of time in Paris, we have a greenhouse in Paris. But the one that I'm proud about is the one in Houston where we are focused on energy, chemicals, and industrials. And really looking at, how do we bring to reality some of the solutions that make a difference right from commercial, to manufacturing, to productivity, maintenance? And we are able to bring in thought leadership across the board from Deloitte, from the alliances, and bring industry leadership together to solve the problems which generally used to take months and years. We're able to do that in a span of days now.

00:20:02 **Chip Kleinheksel:** I've been to our greenhouses in Chicago, Dallas, New York. I've never been to the one in Paris, so I'm clearly not hanging out with the right people.

So let's look at the bigger picture. We've talked about specific problems and solutions, but what does this mean for the future of energy operations? Based on your work across the industry, Rahul, what do you think separates the energy companies that will thrive from those that will struggle? Is it culture, is it strategy?

00:20:30 **Rahul Chhatwal:** Look, Chip, the industry will continue to evolve drastically over the next few decades. And in my view, the companies that will thrive will be the ones who continue to focus on vision, value, and strategic agility. Companies who are not going to get tired of the evolving nature of the business and shifts in the market. It's super important that the digital initiatives that are started, companies should be able to finish them within the cost and the capital that's invested in these initiatives. And then last, but not the least, consistent innovation and digitization. Aspects of Industry 4.0, IOT solutions, digital twins, big data, advanced analytics. All that is becoming a reality very fast.

Tying it back to Tamika, this is sort of a race - who gets to have a stable set of processes, cleaner data to start reaping benefits of the technologies. And in contrast, the companies that do not perform in these areas and do not start the journeys I feel will have a struggle in responding to the continuous business pressures and the ask from the business leaders to continue to focus on cost and profitability.

00:21:52 **Chip Kleinheksel:** You mentioned strategic agility and I think that's an important one. I've seen so many companies where, especially with how fast technology's evolving right now, where they can get stuck because they say, "Well, we don't know if we want to do this because we don't know what's coming in the future." And it's all about you have to be able to make progress, but make progress with an architecture that allows you to be agile, to be able to change. Otherwise, you won't make any progress and you'll get stuck. So I love that you pointed that out.

Now, where do you both see the biggest untapped opportunities?

00:22:23 **Tamika Bell:** I see it in operations. I see it in the area of cost reduction in operations and operational efficiency. I think that a lot of times, we rely on sales to sell more and R&D to come up with different products to sell. Which is great and that is a priority, that is a strategic priority. At the same time, we also need to understand that there's a significant, significant amount of opportunities in our operational foundation to really reduce cost within our organization. And I think that if we have the right strategy to approach it from both a customer-facing perspective, but also within our system, remember I talked about that set of interconnected operations, we focus there, there's untapped opportunity there. Significant opportunity there.

00:23:17 **Rahul Chhatwal:** Yeah, I won't agree more. Collaboration across geographies and collaborations across the value chains unlocks so much for the industry in general. As a whole, I feel some of the other opportunity areas in the energy industry in general, is around how do we build better traceability for carbon emissions? How do we decarbonize some of our industrial processes? How do we focus on recycling and creating a circular economy? I know there's a lot of research, actual research, some of which we are part of and that's an exciting topic.

And last, but not the least, I know it's close to your heart as well, Chip. How do we start embarking on the AI journey for the industry? It doesn't need to be done in all one size fits all nature, but really there are areas where I think this industry can leverage a lot of value, so I think that's an untapped area.

00:24:16 **Chip Kleinheksel:** I always say, and I love that you said it. If you look for the big, massive use case, you're going to struggle. If you find building blocks that you can then stitch together, that's where you're going to make progress and make progress over time. Tamika, you said it well, end-to-end from an opportunity standpoint, whether it's efficient handoffs, whether it's automation, whether it's through broader AI capabilities, gen AI, there's a ton of opportunity there when you think about just how interconnected this industry is and the processes that you have.

00:24:44 **Tamika Bell:** Yes.

00:24:44 **Chip Kleinheksel:** Last question for you, Tamika. What's your advice for building the right partnerships to tackle these complex transformations?

00:24:51 **Tamika Bell:** First, I would start with shared intent, very important. Whether it's a vendor, whether it's a business unit, a cross-functional team, again, alignment matters more than agreement. So start with shared intent first. Ask the tough questions. I presume Rahul will tell you I don't mind asking the tough questions. I don't mind raising my hand and speaking up and saying, "Well, I don't understand. Let's get down to it." What are we really trying to solve here? And what does success look like? What does good look like? What does great look like? And then, who owns the outcome? Those things, we really need to take into consideration.

And make sure that, in the service of delivering, that we're working together on the solution that neither one of us can deliver alone. That's where you find your shared intent and that's where you find your mutual accountability.

00:25:43 **Chip Kleinheksel:** Very well said. All right, before we wrap up, a fun one. What's the biggest small change you want to see in your life? For me, I'd say maybe working out consistently.

00:25:58 **Tamika Bell:** That's a good one, yeah.

00:25:59 **Chip Kleinheksel:** Maybe not clearing the entirety of my plate, and being able to routinely make a six-foot putt. My friends would all agree that that's something I would like.

00:26:06 **Rahul Chhatwal:** You know, Chip, I'm trying to convince my family to let me buy a van. Everyone hates the idea.

00:26:13 **Chip Kleinheksel:** What would you do with it? You would travel around the country? What's your plan?

00:26:16 **Rahul Chhatwal:** Travel around the city. Driving my kids around, their soccer games, and so on. Back in the day when I was a child, my parents used to have a van. I have a lot of childhood memories of when I used to hang out with my parents in the van, so just trying to recreate some of them. So yeah, that's the change I'm looking forward to, if I'm able to convince them.

00:26:33 **Chip Kleinheksel:** I love it. That's great. I'm going to ask you this now, Rahul, every time we talk.

00:26:37 **Rahul Chhatwal:** We're speaking from the van. This is the van.

00:26:39 **Chip Kleinheksel:** I like it. Tamika, what about yourself?

00:26:42 **Tamika Bell:** Oh, man. Still dealing with back to school. Love to see that process become a little bit easier, though I find that the older my children get, the more complex it becomes.

00:26:56 **Chip Kleinheksel:** I like it. We were just talking in my house, my wife and I, about we got to start getting our kids to bed earlier …

00:27:00 **Tamika Bell:** I know.

00:27:00 **Chip Kleinheksel:** ... because they're going to need to start waking up earlier.

00:27:01 **Tamika Bell:** Yeah. Get them to bed at 8:00. I know my kids hated to hear that when they were younger.

00:27:09 **Chip Kleinheksel:** Well, thank you both for such an insightful conversation. Tamika Bell from Mitsubishi Chemical Group, and Rahul Chhatwal from Deloitte.

00:27:16 **Tamika Bell:** Thank you for having me.

00:27:17 **Rahul Chhatwal:** Thank you for having us.

00:27:19 **Chip Kleinheksel:** What a fascinating look at how energy companies are navigating one of the most complex transformation periods in industrial history. From real-time operational insights to supply chain resilience, we've seen how the right combination of technology, strategy, and deep industry expertise can turn disruption into opportunity.

00:27:37 **Chip Kleinheksel:** Thanks again to Tamika Bell from Mitsubishi Chemical Group, and Rahul Chhatwal from Deloitte. I'm Chip Kleinheksel, host of Resilient Edge, a Business Vitality podcast, paid and presented by Deloitte, and produced for Deloitte by BBC Storyworks Commercial Productions. Thanks so much for listening, we'd appreciate a review on your podcast app. Goodbye for now.