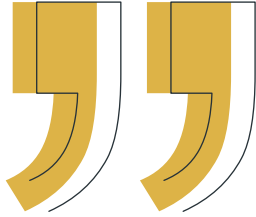# BRIDGING STRATEGY AND OPERATIONS

Building a future-proof operating model
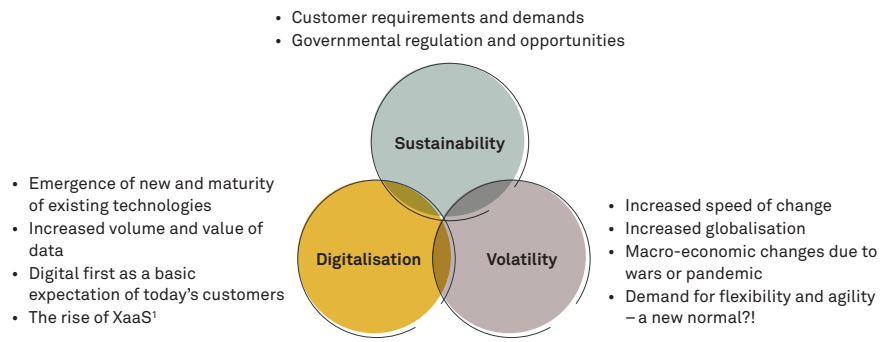
"THE VAST MAJORITY OF TODAY'S ORGANISATIONS STILL FOLLOW PRINCIPLES THAT DATE BACK TO THE '60S"

Gary Hamel,
world-renowned author and thought leader

Megatrends drive companies to reconsider their strategy and to understand and redesign their operating model

Operating models need to respond to the new context in a world that is increasingly digital and volatile while stakeholders expect focus on sustainability.

MEGATRENDS

- Customer requirements and demands
- Governmental regulation and opportunities

Sustainability

- Emergence of new and maturity of existing technologies
- Increased volume and value of data
- Digital first as a basic expectation of today's customers
- The rise of XaaS[1]

Digitalisation

Volatility

- Increased speed of change
- Increased globalisation
- Macro-economic changes due to wars or pandemic
- Demand for flexibility and agility – a new normal?!

Many companies face issues to adjust their business to be fit for the future

CHALLENGES AND OPPORTUNITIES

- How do we **grow and scale** the business effectively?

- How can we harvest **synergies** across business units or markets?

- How do we meet the increasing **customer expectations?**

- How do we become better at **innovating our services?**

- How can we improve our **time to market?**

- How can we reduce **bureaucracy** and increase **employee engagement?**

- What can we do to increase **productivity** and decrease **cost?**

1: XaaS: "anything as a service".

An operating model bridges strategy with operations by describing how to realise the strategic choices made by the organisation
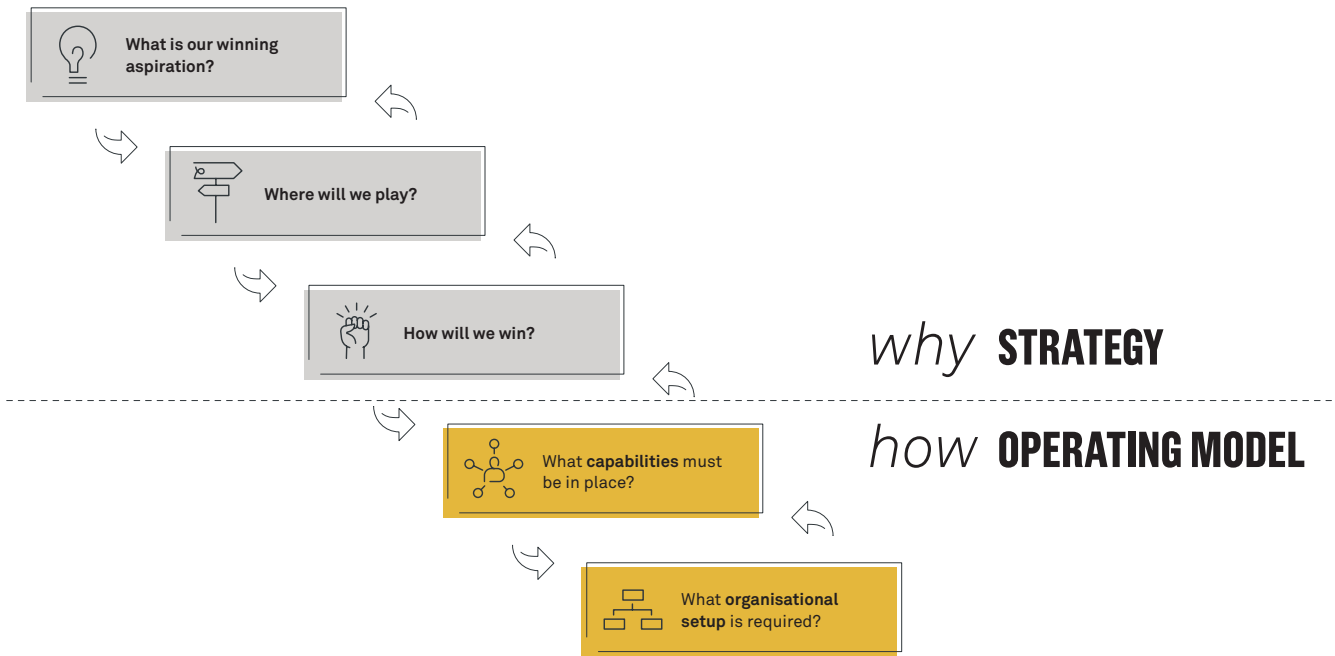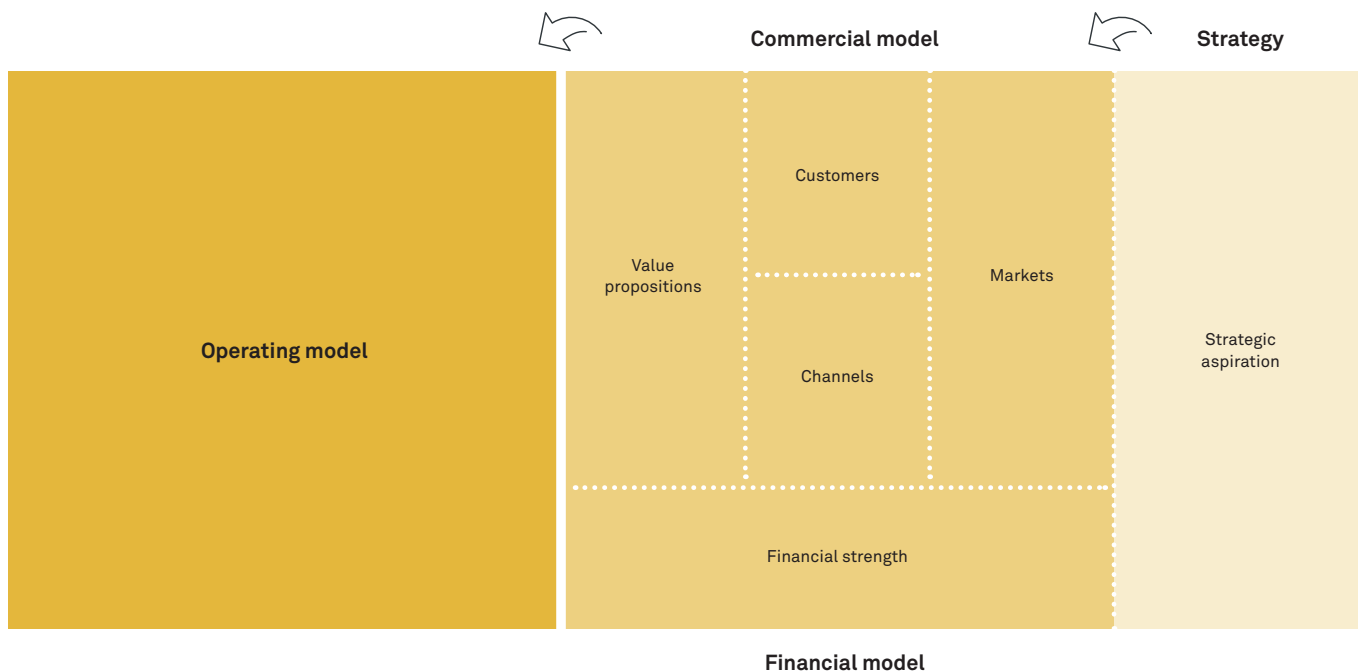

The operating model design approach can be used to realise strategic choices across the entire organisation whether the need is enterprise-wide or in a specific business unit, function or department.

It describes how a customer value proposition is delivered, and how business performance is achieved

The operating model describes how an organisation delivers value to its customers. Our approach takes the full business model into consideration for fit and purpose.

In doing so, the strategy and business context helps us answer the question "*why?*", whereas the operating model answers the question "*how?*".

Commercial model

Strategy

Operating model

Value propositions

Customers

Markets

Channels

Strategic aspiration

Financial strength

Financial model

An organisation's strategic aspiration will provide an understanding of the company's future ambitions. This understanding is key in designing a supporting operating model. The business model consists of a commercial model, financial model and an operating model.
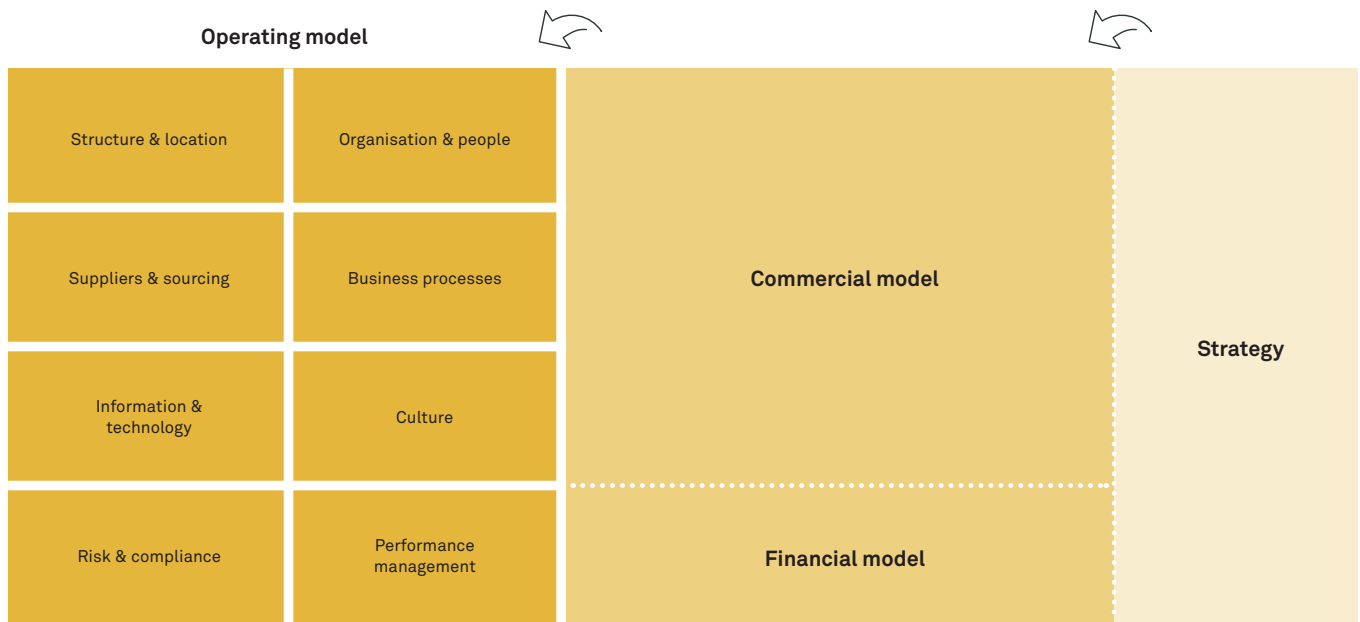
The commercial model can be described by definitions along four market-facing dimensions; markets, customers, channels and value propositions.

The financial model entails the financial strength of the organisation; what margin is the company generating and what financial targets does the company have. The financial model ties together the commercial model and the operating model into a performance management framework.

The operating model shows the engine that is required to deliver on the customer promise. The engine is described by eight operating model dimensions that determine the organisation's performance, e.g. measured in profit margin, customer experience and innovation lead time.

Redesigning the right dimensions of the operating model in the context of the overall business model allows solving key challenges and reaping opportunities

Operating model

Structure & location	Organisation & people
Suppliers & sourcing	Business processes
Information & technology	Culture
Risk & compliance	Performance management

Commercial model

Financial model

Strategy

Operating model dimensions

Structure & Location
How should the organisation's footprint be designed in order to offer value to customers while being cost-efficient and flexibility for changing market demands?

Suppliers & Sourcing
Who are the key partners and how do the partners contribute to further deliver on the value proposition and strategy?

Information & Technology
What technology is needed to enable innovative product development, enhance the customer experience and ensure effective operations?

Risk & Compliance
What risk and compliance requirements do we need to fulfil in order to act according to relevant laws and regulations?

Organisation & People
What organisational functions are required, how do they interface, and what competences are needed to deliver on the strategy?

Business Processes
How do business processes align with the strategic ambitions, including how should products and services be delivered to optimise performance?

Culture
How do the cultural components of the organisation support the strategic objectives and allow for effective collaboration between functions?

Performance Management
How to create and sustain improved operational and financial performance across the organisation to attain strategic goals?

Considering all dimensions of an operating model, ensures a holistic approach when designing the value delivery blueprint

Operating model dimensions

Structure and location How should the organisation's footprint be designed in order to offer value to customers while being cost-efficient and flexibility for changing market demands?	Are structural synergies achieved across the organisation?	Not at all. Units operate in silos.	1	?	5	To the full extent, centralised shared services across all units.
	How can execution power best be fostered?	Local accountability and decision-making.	1	?	5	Central accountability and decision-making.
Suppliers and sourcing Who are the key partners, and how do partners contribute to further deliver on the value proposition and strategy?	Do you have a clear sourcing strategy in place?	Not in place, nor in line with corporate strategy	1	?	5	Sourcing & supplier collaboration fully fits corporate strategy
	Are capabilities built up in-house or selected from (outsourcing) partners?	Capabilities are kept in-house.	1	?	5	Technology and data are fully outsourced (partnering?)
Information and technology What technology is needed to enable innovative product development, enhance the customer experience and ensure effective operations?	Do you have a clear tech strategy in place?	We wish to be fast followers.	1	?	5	We wish to be first movers.
	Are tech capabilities built up in-house or selected from (outsourcing) partners?	Technology and data are kept in-house.	1	?	5	Technology and data are fully outsourced (partnering?)
Risk & Compliance What risk and compliance requirements do we need to fulfil in order to act according to relevant laws and regulations?	How mature is risk & compliance management?	No identified risks and mitigations. No compliance management in place.	1	?	5	Systematic, structured, collaborative, and cross-organisational risk & compliance management
	Are risks monitored continuously?	No recurring risk process	1	?	5	Recurring process to identify, analyse, mitigate and monitor risks

Structure & location	Organisation & people
Suppliers & sourcing	Business processes
Information & technology	Culture
Risk & compliance	Performance management

	Question	1 (low)	1		5	5 (high)
Organisation & People What organisational functions are required, how do they interface, and what competences are needed to deliver on the strategy?	How do you ensure the right competencies – now and in the future?	Development of needed competencies.	1	?	5	Recruitment of needed competencies.
	What organisational setup of competences fits the ambitions best?	Competencies/ expertise are gathered centrally.	1	?	5	Competencies/ expertise are spread out locally.
Business Processes How do business processes align with the strategic ambitions, including how should products and services be delivered to optimise performance?	To what extent are processes governed end to end?	There are no clear roles and responsibilities around processes.	1	?	5	A clear process governance structure is in place.
	What is the maturity level of your processes?	No process landscape.	1	?	5	Full top-down process landscape level 1-5.
Culture How do the cultural components of the organisation support the strategic objectives and allow for effective collaboration between functions?	Does the culture support the desired strategic aspiration?	No, the culture is fragmented and is not aligned with strategic ambitions	1	?	5	Concrete behaviours in line with corporate strategy are described and implemented
	Is senior leadership a role model for the desired values and leadership behaviour?	Not at all	1	?	5	Very much so
Performance Management How to create and sustain improved operational and financial performance across the organisation to attain strategic goals?	Are the goal structure and KPIs coherent, and do they support strategic ambitions?	No, goal structure and KPIs are fragmented and not aligned with corporate strategy	1	?	5	Goal structure and KPIs are built top-down in line with corporate strategy
	Do operational layers understand how to influence performance metrics?	KPIs are not transparent.	1	?	5	KPIs and desired behaviour are transparent to the individual

Designing your operating model requires a bold vision, end-to-end thinking and a structured sprint approach

Our experience with operating model projects has highlighted the importance of five critical elements when running successful operating model projects

#1 Be visionary	#2 Be hypothesis-driven	#3 Design end to end	#4 Build sprint-based learning loops	#5 Involve senior management from day one
• **Bias from past performance** and uncertainties about the future are often limiting companies from thinking creatively and visionary. • **Dare to be visionary by seeking inspiration** from other companies and sectors, work structured with identifying and validating assumptions for the model, and ensure to provide new insights about the status quo and the possible future.	• Operating model projects, by nature, have a wide scope and must be **tailored to the organisation at hand** – if the scope is not clearly targeted, there is a risk of focusing energy on elements that will not make an impact. • **Apply a hypothesis-driven approach** to guide the focus, and use hypotheses iteratively throughout the project to scope the analysis and narrow down the problem and solution space.	• Striving for efficiencies, companies often fall in the trap of meticulously **optimising in silos** rather than looking across the entire value chain to understand which signals to react to. • Design your operating model with an **end-to-end perspective** to ensure a holistic value creation, and avoid sub-optimising and disconnected design	• Complexity tends to grow with company size, which creates a **dilemmatic demand for standardisation** to stay efficient along with a need for flexibility to adapt. • To balance this dilemma, design the operating model through fast **sprint-based learning loops,** and **use prototypes** to learn fast, and adjust accordingly	• An operating model is the **link between strategy and execution** – if the operating model is delegated too far out in the organisation, there is a risk of losing the strategy in translation. • **Involve senior management and key stakeholders** in designing the strategy and operating model to secure buy-in and **deeply anchored ownership** in the organisation

Many clients have already streamlined the operating models to respond to the specific opportunities and challenges in their context and achieved great results

Case

Large life and pension company in the Nordics

Situation

Following a recent integration in 2019, the large life and pension company has experienced strong growth and customer retention. However, the integration as well as an outdated technical landscape have further complicated the ability to execute on projects and realise benefits of improvements. Lastly, the rapid growth has affected collaboration across the organisation. A redesigned operating model is required to accommodate these challenges and ensure a future-proof fit.

Outcome

A shared operating model vision and a future capability map depicting how to realise the vision. A new operating model design across four dimensions, including a new process landscape, mapping of future competencies, owner roles and a new organisational structure and performance management setup. Lastly, a transformation plan was made to help realise and implement the new operating model.

Business benefits

- Increased operational efficiency

- Increased execution power

- Increased competitiveness in the life and pension sector

- Improved resilience

Global leader in health services

Situation

The global leader in emergency medical services and emergency response is exploring how to leverage the full scope of synergies from being a global operator in its ambulance services. To transform its position and trajectory in ambulance services to deliver strong and durable value (paving the way for healthy growth), the global leader aspires to develop a new global operating model. The global operating model captures global synergies across markets and operating units as well as sharing of best practices.

Outcome

A global operating model containing nine key elements outlining standardised future processes and a more centralised organisational setup that jointly will enable to win through scale and global synergies. An extensive transformation plan has been developed outlining 29 initiatives to be rolled out until 2025, supported by a global transition governance setup.

Business benefits

- Increased operational efficiency for existing contracts

- Increased robustness and standard way of operating for future contracts

- EBITA growth

Case

Global manufacturer of heavy equipment

Situation

The global manufacturer of heavy equipment wanted to create a more future-proof administrative organisation with an agile cost base to accommodate a volatile business environment. To achieve this, the programme "Administration Excellence" was established to redesign and implement a new operating model.

Outcome

Analysis and location studies were made, resulting in a decision to establish regional centres of excellence (CoE) in six regions.

A new operating model design across six dimensions, including a new operating footprint, competencies and ways of working, process landscape, performance management setup and one common IT system. Lastly, a transformation plan was made to help realise and implement the new operating model. Currently, the 4th out of 6 regions is being implemented.

Business benefits

- Standardised global operating model for ways of working

- One aligned set of organisational design principles covering all locations worldwide

- A flexible organisation that can scale up and down depending on the business environment

- Regional CoE execution with an increased efficiency with percentages of double-digit figures

The basics

#1 Always start with the **ambition**

#2 Understand and set the **baseline**

#3 Agree on key target **capabilities**

#4 Create and explore multiple **options**

#5 Decide and detail the target **model**

#6 Work out a transformation **plan**

Contact

For more information, please
contact:

Claus Høyer Madsen
Implement Consulting Group
+45 4070 6035
chma@implement.dk

Colien Snoep
+45 3085 8066
Implement Consulting Group
cosn@implement.dk

Jonas Roersen Nielsen
Implement Consulting Group
+45 5221 6191
jorn@implement.dk

Caspar Meili
Implement Consulting Group
+41 79 584 56 76
cam@implement.swiss

Emilie Harding Boisen
Implement Consulting Group
+45 6124 6393
emhb@implement.dk

Alexandra Fröhlich
Implement Consulting Group
+41 76 304 72 61
alfr@implement.swiss