

---

# Optimizing Operating Model Performance

Alec Levenson and Alan Colquitt

CEO sponsors meeting  
April 17, 2019

# Essential analytics skills for business today

---

Type of analytics	Sample competencies
<b>Data science</b>	<ul style="list-style-type: none"><li>• Statistics</li><li>• Data management</li></ul>
<b>Organization science</b>	<ul style="list-style-type: none"><li>• IO psychology, sociology, economics</li><li>• Job design, team design</li></ul>
<b>Business process optimization</b>	<ul style="list-style-type: none"><li>• End-to-end business process re-engineering</li><li>• Six sigma</li></ul>
<b>Systems analysis</b>	<ul style="list-style-type: none"><li>• Organization design</li><li>• Scenario planning</li><li>• Align operating model with strategy</li></ul>

# Essential analytics skills for business today

---

Type of analytics	Sample competencies	Which do I/my company excel at? What topics are addressed?	Which need improvement? Reasons for the gaps?
<b>Data science</b>	<ul style="list-style-type: none"><li>• Statistics</li><li>• Data management</li></ul>		
<b>Organization science</b>	<ul style="list-style-type: none"><li>• IO psychology, sociology, economics</li><li>• Job design, team design</li></ul>		
<b>Business process optimization</b>	<ul style="list-style-type: none"><li>• End-to-end business process re-engineering</li><li>• Six sigma</li></ul>		
<b>Systems analysis</b>	<ul style="list-style-type: none"><li>• Organization design</li><li>• Scenario planning</li><li>• Align operating model with strategy</li></ul>		

# The organization is like a body

---

The organization is like a body with different subsystems

- The *operating system* is like the DNA and skeleton that defines what type of body and its main functions: human vs. animal, gender, size, etc.
- The *financial system* is like circulatory and respiratory systems without which the body would cease to function; they are literally the lifeblood
- The *talent system* is like the brain and consciousness that process the information gathered by the other parts of the body to make decisions

Both/and: Look at the whole patient AND employ specialists

# Org Science vs. Medical Science

Organizational system	Organization Science	Practitioners	Medicine analog
<b>Operating system</b>	Engineering; strategy	Business leaders	Surgery Orthopedists
<b>Financial system</b>	Finance; economics	Finance leaders	Rheumatology Pulmonology
<b>Talent system</b>	Psychology; sociology	HR	Psychology Physical therapy
<b>Entire organizational system</b>	Organization design; business process engineering	Everyone together; systems thinkers	Internal medicine; general practitioners; neurology; allergists; pain specialists; homeopathy

# Org Science vs. Medical Science

Organizational system	Organization Science	Where do you spend your time?	Where do you want to improve? Why?
Operating system	Engineering; strategy		
Financial system	Finance; economics		
Talent system	Psychology; sociology		
Entire organizational system	Organization design; business process engineering		

# Is there one best path?

---

- **Start from a disciplinary approach – physical, human, financial – and make your way towards the entire organizational system**
- **Or start with the org system and make your way back out to the disciplinary constraints**
- **If you don't bring in the other perspectives do you sub-optimize?**
- **How much progress do you make if you stay within one discipline?**

# Is there one right answer?

---

- **Multiple ways to get to the same outcome**
  - **Ex: narrowly defined jobs vs. self managing teams**
- **The org system has to have fidelity**
  - **Execution-oriented business models (FMCGs) vs. software engineering business models (tech)**
- **Subsystems often have different design principles**
  - **Call centers, manufacturing, R&D labs**



# Why org silos are good

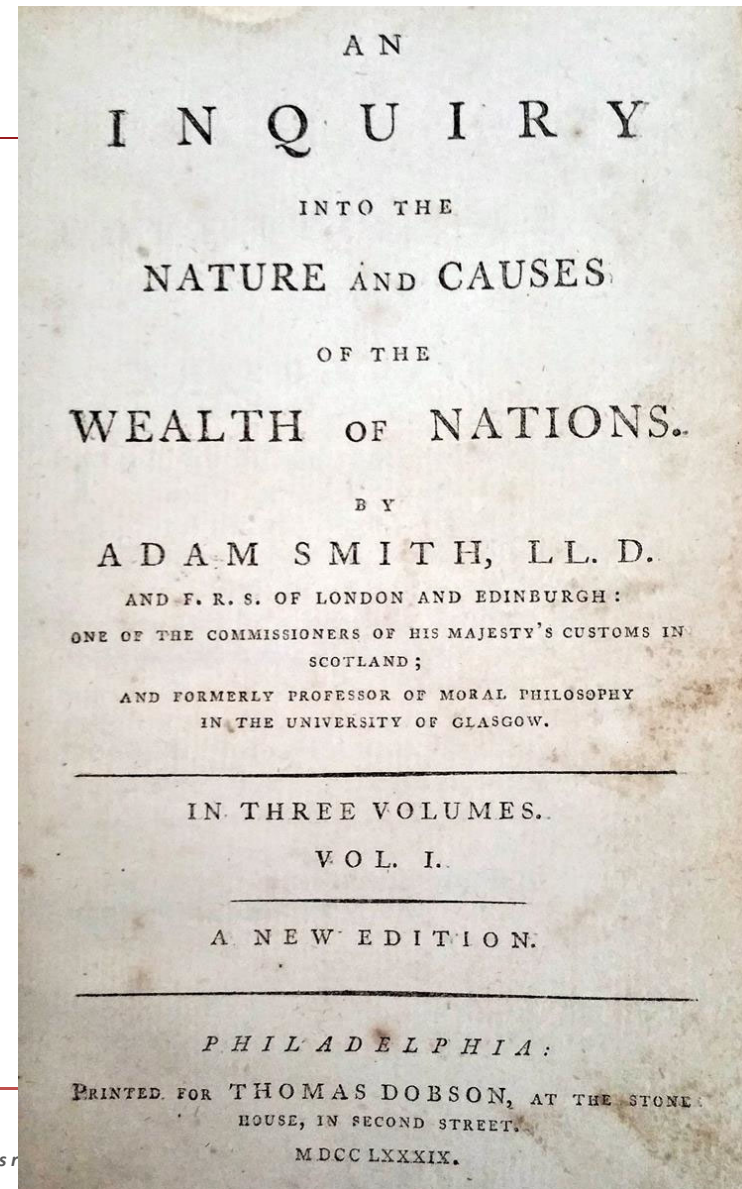
---

**Specialization of labor is essential for economic efficiency and economies of scale in production**

Lawrence and Lorsch: Differentiation and Integration are building blocks of org design

**Organizing people by function is efficient from both business and people perspectives**

There always is a huge amount of work to be done to increase these efficiencies



# Roadmap

Current challenges	Future challenges
Is the org designed the right way?	How should the org look in the future?
Is performance as good as it can be?	What are future performance expectations?
Do we have the right people, doing the right things?	How will talent needs evolve?
Change agenda	
How do we get from where we are today to the desired future state?	
Where should we start?	
How will we know when we get there?	

---

When everything works well ...

You can't tell who in the meeting is from  
the business vs. finance vs. HR