

Aligning operations and organization with strategy

Andrew Campbell  
Mikel Gutierrez  
Mark Lancelott

# OPERATING MODEL CANVAS



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# Colophon



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**SUBTITLE** Aligning operations and organization with strategy

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# Foreword

**NIGEL SLACK**, Emeritus Professor of Operations Management and Strategy, Warwick University, and author of best selling text books *Operations Strategy* and *Operations Management*.

There is an enduring dilemma that follows anyone charged with making strategy have a real impact. ‘How do you think big while keeping your feet on the ground?’ ‘How do you translate the broad vision of where the enterprise wants to be into a set of practical and realistic plans and actions?’ This is where the idea of the operating model fits in. It is a concept that has been gathering momentum in the strategy field – and for good reason. Operating models have the potential to provide a high-level design for any type of organization that both defines its structure and style and enables it to meet its business objectives. Done well, an operating model should provide a clear, ‘big-picture’ description of what the organization does, across both business and technology domains. It should provide a way to examining the business in terms of its key relationships, especially those between the business functions, processes and structures that are required for the organization to fulfil its mission. It should fit alongside the organization’s business model in a way that helps convert strategy into a working model of how things need to be done in practice. A good operating model is a prerequisite for building effective change in the organization.

This is an important book for two reasons. First, it provides a first-class guide on how to put an effective operating model together. Andrew Campbell and his co-authors have taken the proven idea of a Business Model Canvas and created an Operating Model Canvas as a way of extending the number of operating elements that are considered from three (activities, resources, partners) to six (processes, organization, location, information, suppliers and management system). Of course there are many other ways of defining and presenting the idea of operating models. Every consultant has his or her own “model”. But *Operating Model Canvas* is the first attempt, as far as I am aware, to document and share both the concept, a complete set of tools and worked examples. Second, the book is exceptionally well illustrated, with easy-to-follow steps and a wealth of engaging and insightful examples from all types of enterprise. I commend it to anyone involved in turning strategy into operational designs and choices.

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**RICHARD KOCH**, author of the bestselling titles *Simplify* and *The 80/20 Principle*

I have followed Andrew's Campbell's work with pleasure for many years. Every time he takes on a topic, he contributes valuable new insights. This book is no exception.

Andrew and his co-authors start from a firm's value proposition – its distinctive advantages for customers – and then use their 'Operating Model Canvas' as a simple and practical way to work out *HOW* to deliver the value proposition the best way.

I see three huge advantages of this approach. One is that it actually does find the best feasible way to deliver the value proposition consistently.

The second advantage is that it helps managers in different areas get aligned so that the whole organization and its suppliers are trying to do the same thing.

And third, it provides a bridge for managers from the strategy to a portfolio of transformation projects, all pointing in the same direction – forward! Too often managers push their pet projects and huge value is lost by the firm and its customers. That will not happen with this approach.

I also love the messy look and feel of the book. The charts are drawn freehand by managers themselves, there are lots of post-it notes all over the place, the whole thing appears chaotic but is brilliantly cohesive. You can tell that the participants had a lot of fun – and you can too.

# Endorsements

**PATRICK VAN DER PIJL**,  
CEO Business Models Inc. and author  
of *Design a Better Business*

Designing a business is a difficult task. Books like *Operating Model Canvas* help cut through the complexity. It helps you to go one step deeper beyond the Business Model Canvas and Value Proposition. This book could be considered as part of a family of books like *Business Model Generation*, *Value Proposition Design*, *Design a Better Business* as we need to have conversations around the How. All are landscape. All are easy to read. All are full of tools and case examples. They should all be on your book shelf or the side of your desk.

**THOMAS H. DAVENPORT**,

Distinguished Professor, Babson College, and author of *Competing on Analytics* and *Only Humans Need Apply*  
If you liked Osterwalder et al.'s *Business Model Canvas* and *Value Proposition Design*, you'll also want to spend time with this one. All three books have a light and engaging tone and are co-created with practitioners. But *Operating Model Canvas* picks up where the earlier books leave off, taking the thinking about activities, resources, and partners to the next level. It's critical for making a business model work.

**YVES PIGNEUR**,

co-author *Business Model Generation* and *Value Proposition Design*  
Andrew Campbell and co-authors have focused on the left-hand side of the Business Model Canvas for creating an Operating Model Canvas. Their canvas consists of components such as locations, organization structure, people models, information systems and performance management systems. The book contains illustrations and worked examples, and has a nice landscape design. Let yourself be charmed by the thoughts, practical techniques and case studies proposed by the authors.

**WILLIAM ULRICH**,

President, Business Architecture Guild  
Operating models have been written about for many years. The Operating Model Canvas moves the needle forward in this discussion by further framing operating model concepts in a canvas. As with most tools, readers should consider the canvas and related concepts as they continue their journey of streamlining and improving their business.

**JOHN WEBB**, Vice President & Program Lead Mars Operating Model, Mars Incorporated

I have just led a review and redesign of the global operating model for Mars Incorporated. Andrew Campbell was a significant help to me in this, and I learned a lot from applying some of the tools and processes that are in this book. I can see that the thinking has developed even further since then and this book would have been hugely helpful as I worked through the operating model scope and critical analyses with the Executive Committee.

I will certainly use this approach next time I have similar work to do. It simplifies what can be a complex and intimidating task, helps to put the work in the right context and provides tools that ensure rigor and focus.

If you have an operating model project to do, you need this book.

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**JOE SPADAFORD**, Chief Operations Strategy Officer, Computershare

I have led many change and transformation projects that supported an overall business strategy. These are always difficult projects both in the design and the execution. *Operating Model Canvas* is a useful and pragmatic aid to this work, full of tools and examples and helpful ways of simplifying complexity. It provides a framework to consider the change elements holistically, giving you the opportunity to create an implementation plan that will more likely be successful.

---

**FREEK DUPPEN**, Senior Manager, Operating Model Development, The LEGO Group

Many people are going to find the insights in this book really valuable. Whether you are new to the topic or a seasoned practitioner, the book offers plenty to help you on your operating model journey: a clear framework for thinking about operating models, a basket of tools, and copious examples ranging from Zara to Snapfish and from a government department to an IT function. There are alternative ways to approach the concept of operating models, but I can highly recommend the approach in this book. It is easy to read, practically relevant, and touches upon all the important aspects.

---

**DR GRAHAM EDWARDS**, retired CEO, AECI

At AECI we got a lot of use out of the Business Model Canvas. Every business or proposed new acquisition had to present its Canvas to the Exco, and managers were subjected to a fairly rigorous grilling to ensure they really did understand their business model. If we had had the Operating Model Canvas, those sessions would have been more penetrating on operating issues. This book is another important step forward in management thinking.

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**MARK SMALLEY**, Ambassador, ASL Bisl Foundation

Andrew Campbell has produced a very useful book that can be used in its own right or in combination with the Business Model Canvas. I had the pleasure of reviewing the book and learnt a lot in the process. For most people, the term operating model is poorly defined and loosely used. *Operating Model Canvas* does a good job in pinning it down in simple but well-grounded language. The guidance is practical and attractively presented. I used the principles and structure in my work for The Open Group's IT4IT Forum to create an IT operating model and I am pleased with the results. I have no hesitation in recommending this book.

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**MICHEL BERTHUS**, Group Vice President - Head of Quality Management, ABB

*Operating Model Canvas* is both simple and powerful. It provides a simple framework (the Canvas) and some powerful tools (value chain map, organization model, supplier matrix, etc.). I cannot imagine anyone involved in working on organization design or operating models or even process improvement that will not gain a great deal from this easy to read and engaging book.

---

**STEPHEN BUNGAY**, author of *The Art of Action*

My work and teaching on strategy execution is about how organizations make things happen in line with their intentions. It focuses on the 'software' – how to set direction and align people so as to create unity of effort. But every company has made commitments to doing things in a certain way that is reflected and constrained by their 'hardware'. *Operating Model Canvas* addresses the question of how to change that hardware and design an organization with the right operational capabilities. I find the simplicity of the canvas, the wealth of examples in Chapter 2 and the quality of the tools explained in Chapter 3 both practical and powerful. The authors' innovative and engaging approach turns the hard work involved into fun, and redefines what a 'how to' textbook should be. It is a great companion to *The Art of Action*.

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**JEROEN DE FLANDER**, author of the bestsellers *Strategy Execution Heroes* and *The Execution Shortcut*

*Operating Model Canvas* helps you in a practical and fun way to design the best possible operating model for your strategy. Highly recommended!

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**PROFESSOR GUNTER MÜLLER-STEWENS**, Institut für Betriebswirtschaft, Universität St.Gallen

Strategies often fail to get implemented. We already have ways to convert strategies into scorecards and KPIs, but we have fewer tools to help convert strategies into portfolios of transformation projects. *Operating Model Canvas* fills this gap. Andrew Campbell and his co-authors seem to understand both strategy and operations and have created an ideal companion to the Business Model Canvas. It is an easy and fun read. And it encourages and supports the reader in applying the ideas on real projects.

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**MARC LANKHORST**, Managing Consultant & Chief Technology Evangelist, BIZZdesign, and developer of the ArchiMate® standard for enterprise architecture modeling

Our company BIZZdesign does many projects that involve designing the business architecture and operating activities of a business or organization. The design of business models has been very successfully addressed by Alex Osterwalder and Ives Pigneur in their famous book *Business Model Generation*. But to make your business model work, you also need an operating model, describing how the elements of your organization together deliver its value proposition. The Operating Model Canvas proposed by Andrew Campbell, Mikel Gutierrez and Mark Lancelott extends the thinking behind the Business Model Canvas to provide a practical tool for designing such operating models. This book will help anybody involved in business design, target operating models, business architecture and operational improvements.

---

**KIRILL DEREVENSKI**, Strategic Business Architect, ex-Sodexo

I have carried out a number of jobs transforming strategy into operational results in mid-sized and large companies. I wish I had had *Operating Model Canvas* by my side. It is comprehensive, straightforward and accessible. It is written by people who understand strategy and who know how to connect strategy with operations to drive measurable results. It contains tools and methods that are effective and easy to apply while using the language that senior managers talk. A ‘must have’ to get your project right from the start, and to get it to a successful finish. A perfect operational ‘nuts and bolts’ companion to *Business Model Generation*, when you need concrete guidance on operating model design.

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**GRAHAM DALTON**, Independent Management Consultant

I have used Andrew’s OD tools over a hundred times, both at PwC and as an independent management consultant. They make sense to clients and give great insight and clarity. This new contribution brings similar clarity to the complex topic of operating models. Andrew’s book is very visual and easy to read; and the great client examples bring the topic to life. This book and its *Operating Model Toolbox* will be invaluable to consultants and executives alike, guiding them in how to align their organization and operations with their strategic aims. I was part of a team that developed PwC’s approach to operating model work and I wish I had had this book to help me.

---

**AMY KATES**, Kates Kesler Organization Consulting and author (with Jay Galbraith) of *Designing Your Organization*

As organization designers, we help leaders make smart decisions about ‘organization models’. A prerequisite to this work is a clear ‘operating model’. The operating model articulates the business framework and how the organization components will relate to one another. A clear operating model makes selecting among organization options much easier. Andrew Campbell brings a designer’s eye to demystifying the steps for creating an operating model. This book is filled with tools, examples, and a wide variety of case studies. It will be an essential guide for anyone working on organizations.

---

**NAOMI STANFORD**, Organization Design Practitioner, author, speaker

Andrew Campbell, more typically known for his strategy and organization work, has focused his attention on the task of turning strategy into operations. He and co-authors explain, through illustrations and examples, the six elements of the *Operating Model Canvas* - value delivery chains, organization, information systems, locations, suppliers and management systems - in a beautifully clear and fun way that takes the pain out of operating model development and implementation. It’s a substantial contribution designed in an engaging way showing the working steps as they actually progress and giving helpful tips, guidance and resources along the way. A great addition to any organization designer’s toolkit.

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# Contributing authors

## Important contributors (alphabetical):

Marcus Alexander, London Business School  
Stephen Baishya, Consultant  
Martin Bartram, Royal Bank of Scotland  
Nicola Bateman, School of Business and Economics, Loughborough University  
Marcia Blenko, Bain & Co  
Stephen Bungay, Ashridge Strategic Management Centre  
Christoph Burtscher, Yodel  
Alan Crawley, Optima Partners  
Kirill Derevenski, Strategic Business Architect  
Joao Dolores, Sonae  
Freek Duppen, Lego  
David Favelle, ValueFlowIT  
Chris Fox, StrategicLearningApp.com  
Allan Gasson, Independent (ex Deloitte)  
Geoff Grace, AXA  
Alex Graham, Egremont  
Ben Gray, Guild Consulting  
Ben Groom, Capgemini  
Jonathan Hammond, Knadel  
Steven Han 韩松林, China  
Amy Kates, Kates Kesler  
Marc Lankhorst, BizzDesign  
Carl Lloyd, Royal Bank of Scotland  
Peter McClure, Vodafone

Dev Mookerjee, Ashridge  
Gillian Morris, Jaguar Land Rover  
Rupert Morrison, Concentra  
Guenter Muller-Stewens, Universitat St Gallen  
Peter Murchland, Enterprise Architect  
Mark Palmer, OEE Consulting  
Joseph Paris, Opex Society  
Anish Patel, Patel Miller  
Anca Raines, PA Consulting  
Richard Rawling, Nous Group  
Howell Schroeder, Schroeder Forbes  
Mark Smalley, IT & ASL BiSL Foundation  
Joseph Spadaford, Computershare  
Jonathan Tidd, OEE Consulting  
Conrad Thompson, PA Consulting  
William Ulrich, Business Architecture Guild  
John Webb, Mars  
David Winders, Lecturer and Business Architect  
Nicolay Worren, Norwegian University of Life Sciences

## Examples provided by:

The authors, and  
Marc Baker, Ofqual  
Andrew Freiman, Department of Work and Pensions  
Roberto Gil, Velatia  
Alex Graham, Egremont  
Adam Laurie, DEV CON  
Jamie Lopez, Faes Farma  
Wendell Mitchell, Guardian Group  
Howell Schroeder, Schroeder Forbes  
Deborah Strazza, John Lewis Partnership  
Alex Szekely, Wilson Perumal  
Ricardo de los Rios, IESE  
David Winders, Lecturer and Business Architect

Our course 'Designing Operating Models' at Ashridge Executive Education has been a huge learning experience for us. Here are some of the participants (about a third - random order).

Sebastian Pordomingo, Akzo Nobel  
Dean Genade, Sanlam  
Jonathan McDonnell, British Red Cross  
Rob Adsley, XI Catlin  
Wendell Mitchell, Guardian Group  
Andrew Milbourne, Cambridge English  
Collette Roche, Manchester Airport  
Scott Schoenbrun, SPX  
Sardip Sandhu, Walgreens Boots Alliance  
Deborah Strazza, John Lewis  
Ian Todd, Independent Police Complaints Commission  
Phil Merrell, Willis Towers Watson  
Carol Madeley, Belron  
Tammy Tawdros, Ashridge  
Else Marie-Brekke, DNVGL  
Louise Wade, Project Delivery Excellence  
Carlos Alpizar, Grupo Cuestamoras  
Hannah Crossley, Egremont Group  
Geoff Grace, AXA Insurance  
Andrew Blundell, Walgreens Boots Alliance  
Martin Bartram, RBS  
Alhaidary Maher Monsour, CMA

Laura Worboyes, Amlin Investments  
Jeremy Faint, NHS  
Paul Hill, Manheim  
Eric Smith, Calmac  
Frances Hall, Corbar Consulting  
Charlotte Eimer, BBC Monitoring  
Stephen Ogundere, Consultant  
Damian Pearson, Ernest and Young  
Abdulaziz Aladwani, ELM Consulting  
Alan Crawley, Optima Partners  
Helen Own, Pasque Consulting  
Eric Thiam Sebates, Imperial Tobacco  
Janice Paterson, NIHR Clinical Research Network  
Vikki Harmon, Grant Thornton  
Christian Harm, Kion Group  
Mike Fisher, Matthew Clark  
Hester Gudmunsen, ACCA  
Laura Lee Oliver, Red Apple Consulting  
Karen Moore, University of Sydney  
Paras Sood, SAB Miller  
Kate Bendon, K8B Consulting Ltd  
Adrian Twynning, British Gas  
Imm Law, Royal Mail  
Fiona Evans, Zoological Society London  
Ben Groom, Capgemini  
Michael Donaldson, Standard Life  
Charlotte Wedd, Manchester Airport Group  
Andy Aitkenhead, Kuoni Travel

Yana Meltser Shaer, HSBC  
Vanessa Ryan, Royal Mail  
Steve Curry, NHS  
Sandra De Sousa, MMI Holdings  
Jan Luyten, DSM  
Sumit Mistry, Salesforce  
Rachel Honey, John Lewis  
Sam Airey, Weightmans  
Mike Lynn-Jones, Lowell Group  
Matthew McClelland, The Nursing and Midwifery Council  
Andreas Kroepfli, Swiss Federal Department of Finance  
Nigel Paling, Manheim  
John Hall, Swagelok Manchester  
Fred Creighton, World Duty Free  
Jeeti Chauhan, Shell  
Sam Lewens, myBBC  
Naresh Mongroo, Guardian Shared Services  
Devand Singh, Cambridge English  
Maher AlHaidary, The Capital Market Authority  
Chantal van der Ginste, Delaware Consulting  
Olutoyin Orefuwa, TransmissionFour Consulting  
Mohammed Omar Baqais, ELM  
Oliver Landgraf, Consultant  
Mary Kennedy, Consultant  
Kathleen Versland, Deutsche Bank  
Mark Bellamy, PA Consulting

**Course website: [www.ashridge.org.uk/dom](http://www.ashridge.org.uk/dom)**

# Contents

CH1

1

## Operating Model Canvas

An introduction to operating models, business models and the design process

CH3

94

## Toolbox

The tools you need to do operating model work, divided between core tools and additional tools

CH5

178

## Creating an operating model for a function

A fully worked example of a high-level operating model for the IT function of EEI

CH2

34

## Operating Model Canvas - Examples

How to use the operating model canvas and a dozen examples, from Uber to Shell to Cardboard Citizens

CH4

134

## Creating a target operating model for a business

A fully worked example of a high-level target operating model for EEI, a company in the business of making equipment for the electricity industry

CH6

198

## Examples of operating model change

Five examples of 'as is' and 'to be' operating model canvases

... And last but not least: About the authors 210



# OPERATING MODEL CANVAS

Business model canvas 14

Transformation 20

Design steps 24

Tips 32

How to deliver great value to your customers and beneficiaries

## AN OPERATING MODEL IS ...

.. a **VISUAL** representation (i.e. a model)

.. in the form of a **DIAGRAM OR MAP OR CHART** or collection of diagrams, maps, tables and charts

.. that show the **ELEMENTS OF THE ORGANIZATION**, such as activities, people, decision processes, information systems, suppliers, locations, and assets,

.. that are important for delivering the organization's **VALUE PROPOSITION(S)**

.. and how these elements **COMBINE** to successfully deliver the value proposition(s)

### THE JOURNEY TO SUCCESS HAS FOUR PARTS:

- **THE STRATEGY PART:** deciding what the organization will do
- **THE OPERATING MODEL PART:** designing the organization so that it is able to execute the strategy
- **THE BUILD OR TRANSFORMATION PART:** creating the target operations and organization
- **THE DOING-THE-BUSINESS PART:** running the organization so that the strategy is achieved

This book is about the operating model part: the design part. It is not about the strategy, transformation or doing-the-business parts

Different authorities define operating model differently. There is no standard definition. This is our definition.

Other authorities include a mission, vision and values step before strategy. We include this as part of strategy.

# HIGH-LEVEL OPERATING MODELS

This book is about high-level operating models. It focuses on the link between strategy and operations and between business models and operating models.

One page Operating Model



Explained and illustrated in Chapters 2 and 6

Ten page Operating Model



Explained and illustrated in Chapters 3, 4 and 5

# DETAILED OPERATING MODELS

For an organization to function, many hundreds of design decisions need to be made. Our belief is that these decisions – the detailed operating model decisions – are better made if there is a high-level operating model guiding them.

One hundred page Operating Model



Not covered in this book

One thousand page Operating Manual



# WHEN DO YOU NEED TO WORK ON

# YOUR OPERATING MODEL?

CH1



## WHEN YOU ARE STARTING SOMETHING NEW

- ▶ Helps test the practicality of what you want to do
- ▶ Helps you understand costs, resources and timing, and hence develop a better business case
- ▶ Helps you align your team and your stakeholders
- ▶ Helps ensure you focus on the important



## WHEN YOU ARE CHANGING STRATEGY

- ▶ Helps test the practicality of what you want to do. Often leads to better strategies.
- ▶ Helps you understand costs, resources and timing, and hence develop a better business case
- ▶ Helps your people understand the new strategy
- ▶ Helps ensure your implementation plan is complete



## WHEN YOU HAVE PERFORMANCE PROBLEMS

- ▶ Helps you find the root causes
- ▶ Helps you see the connections between symptoms and causes
- ▶ Helps ensure your implementation plan is complete
- ▶ Helps your people see why all the changes are needed



## WHEN YOUR TEAM IS NOT ALIGNED

- ▶ Helps those with different views explain their thinking
- ▶ Provides the senior team with a shared blueprint of what they are trying to build together
- ▶ Provides a line of sight between purpose and activity



## WHEN YOU ARE FINDING IT HARD TO IMPLEMENT YOUR PLANS

- ▶ Enables you to check that your plans are practical
- ▶ Helps those who are dragging their feet explain their position
- ▶ Often results in re-sequencing the implementation plan



## WHEN YOU ARE IMPLEMENTING MAJOR CHANGE

- ▶ Enables you to check that your project sequence is practical
- ▶ Helps explain the plan and the business case
- ▶ Helps those who are concerned about the plan to explain their position
- ▶ Helps align the leaders of different projects

CH1

# THIS BOOK WILL HELP YOU ...

## Who are you?

CH1

- ▶ A **manager in operations** or **in any function** who wants to design how the operation works
- ▶ A **CEO** or **COO** or **entrepreneur** who wants to review his or her organization and plans
- ▶ A **lean practitioner** or **process excellence manager** who wants to be more strategic
- ▶ A **manager in strategy** or **planning** who wants to make the plans more practical
- ▶ A **project manager** or **change specialist** working on a transformation project
- ▶ A **leader** who wants to make sure her team members are all on the same page
- ▶ A **business partner in HR, IT** or **Finance** who wants to improve the business
- ▶ A **business development manager** who wants to design a new business
- ▶ A **Business Architect, Enterprise Architect** or **Operations Strategist**
- ▶ A **manager** tasked with cutting costs or improving service or quality
- ▶ A **customer experience** or **user experience specialist**
- ▶ A **manager in charge** of post **merger** integration
- ▶ A **consultant** helping organizations improve
- ▶ **Anyone** responsible for performance

CH1

Understand what an operating model is

Document your current operating model

Design improvements to your current operating model

Design a target operating model

Improve the dialogue with those resisting or concerned about change

Better align managers from different functions, countries and cultures around a common view of what they are jointly trying to do

Discover ways of improving your strategies

Achieve your strategic objectives

Be more successful

Yes, operating model work can result in better strategies: more practical, more connected with capability, more profitable

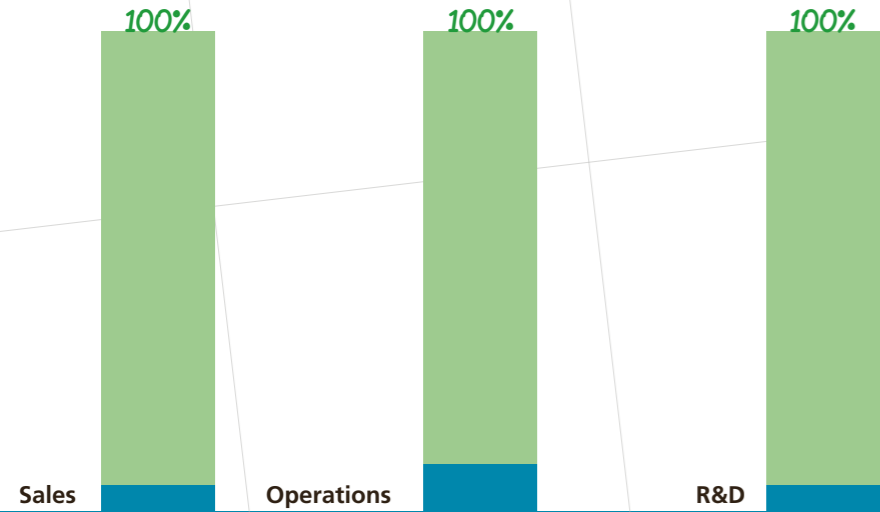


# STRATEGIES ENGAGE 5% ...

# ... OPERATING MODELS ENGAGE 95%

CH1

% of employees who think the strategy is their responsibility



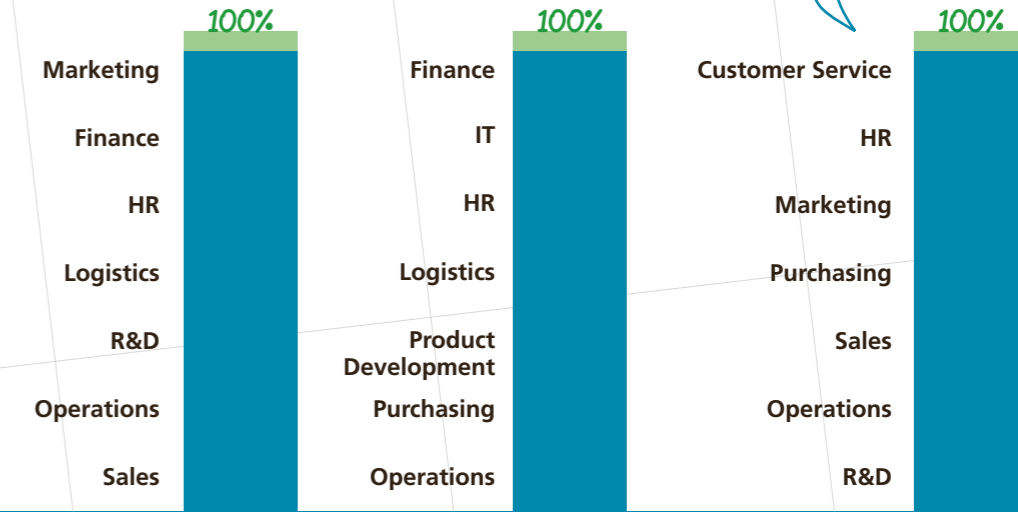
Double international sales

Reduce cost of sales by 20%

Develop new products



% of employees who think the operating model is their responsibility



Double international sales

Reduce cost of sales by 20%

Develop new products

All these functions are involved in the operating models needed to deliver these strategies

CH1

# HOW TO USE THIS BOOK

CH1

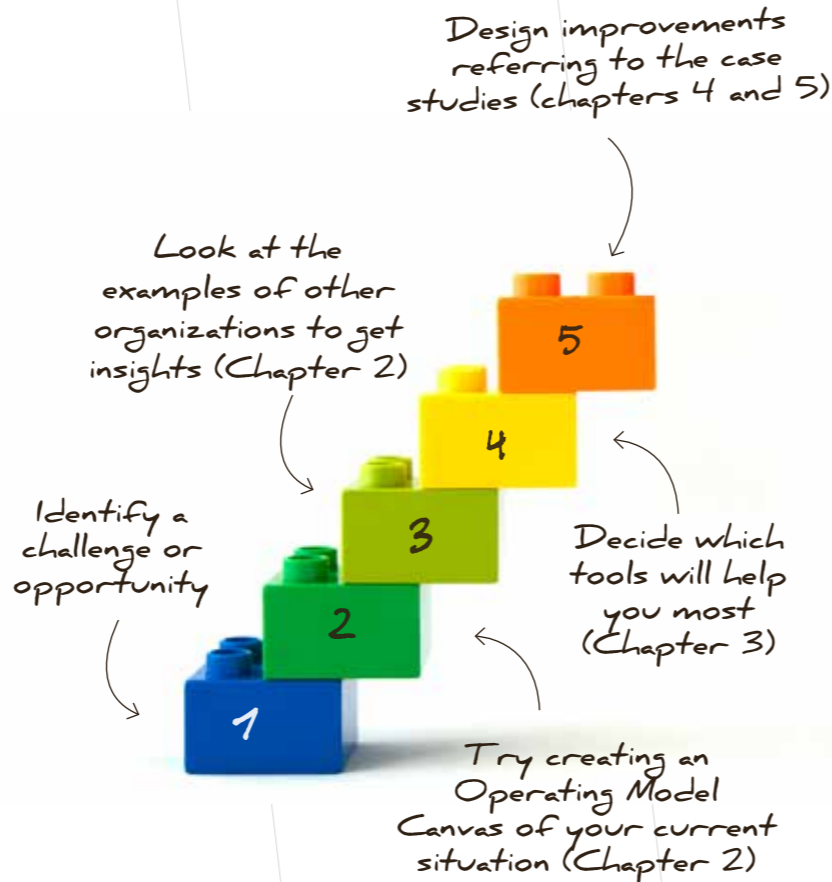


The Operating Model Canvas is a tool that will help you think about and make changes to your operations.

It is a simple tool. You may be able to grasp the tool and start using it by reading this chapter and the first few pages of Chapter 2 - "The Operating Model Canvas - Examples".

However, you will gain the most from this book if you first identify a challenge or opportunity you have in your current situation. As you read, try creating a Canvas for your organization. Write a few post-it notes that capture some of the things you think are important about your organization (i.e. important to delivering the value proposition) and stick them on the Canvas. Then look at the examples provided (Chapter 2). Then look at the tools (Chapter 3) and try using some to understand your challenge and develop ideas for resolving it. Then explore the two big case studies (Chapters 4 and 5).

**Have fun!**



# CHAPTERS

## 1 OPERATING MODEL CANVAS

BUSINESS MODEL CANVAS 14  
TRANSFORMATION 20  
DESIGN STEPS 24  
TIPS 32

## 2 OPERATING MODEL CANVAS EXAMPLES

POLISM 38  
HOW TO USE 42  
BUSINESS 48  
- UBER 50  
- ZARA 52  
- MCKINSEY 54  
- VAN HAREN 56  
FUNCTIONAL 64  
- IT 66  
- HR 68  
MULTI-BUSINESS 70  
- SHELL 72  
- ASHRIDGE 74  
PUBLIC SECTOR 80  
- QUALIFICATIONS 82  
- BENEFITS 84  
OTHER 86  
- DEF CON 88  
- CARDBOARD CITIZENS 90

## 3 TOOL BOX

FIVE CORE TOOLS 96  
VALUE CHAIN MAP 98  
ORGANIZATION MODEL 100  
LOCATIONS FOOTPRINT 102  
IT BLUEPRINT 104  
SUPPLIER MATRIX 106  
THIRTEEN ADDITIONAL TOOLS 108

## 4 CREATING A TARGET OPERATING MODEL FOR A BUSINESS

INDUSTRY AND CHALLENGES 136  
STEPS IN DESIGN 146  
PROCESSES 148  
ORGANIZATION 154  
LOCATION 158  
INFORMATION 164  
SUPPLIERS 168  
SCORECARD 172

## 5 CREATING AN OPERATING MODEL FOR A FUNCTION

EET'S IT FUNCTION 180  
STEPS IN DESIGN 182  
VALUE CHAIN 184  
SUPPLIERS 186  
LOCATIONS 188  
ORGANIZATION 190  
DECISION RIGHTS 191  
SCORECARD 193  
SUMMARY 196

## 6 EXAMPLES OF OPERATING MODEL CHANGE

CHANGE PROCESS 200  
SALES FORCE 202  
DESIGN TEAM 204  
HR FUNCTION 206  
UNEMPLOYMENT BENEFIT 208

CH1

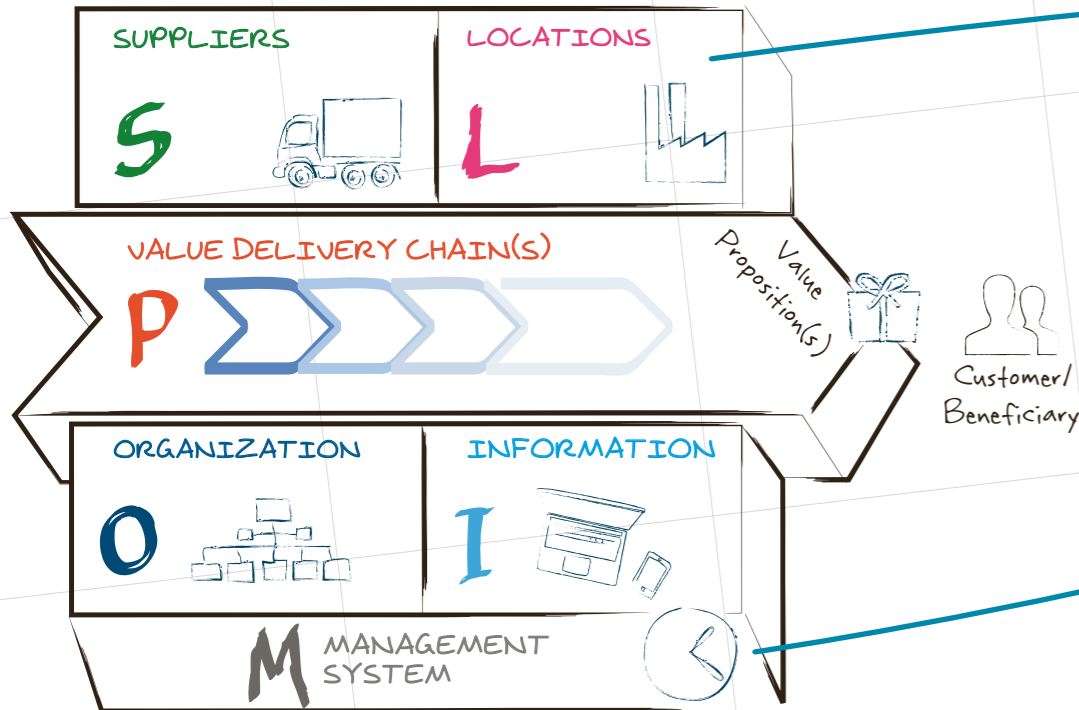
# THE OPERATING MODEL CANVAS IS A ONE PAGE OPERATING MODEL

CH1

THE CANVAS IS FULLY EXPLAINED IN CHAPTER 2

The **OPERATING MODEL CANVAS** does not include the Financial Model. But, of course, the operating model does drive most of the organization's costs.

## OPERATING MODEL CANVAS

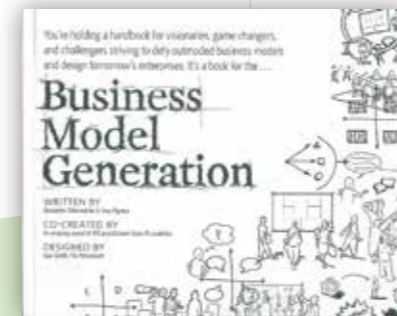
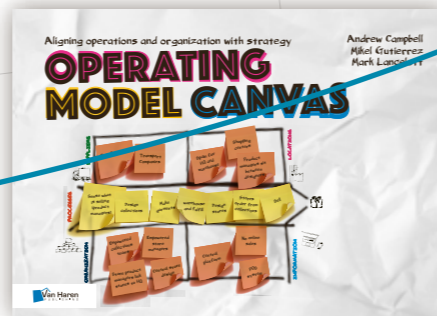
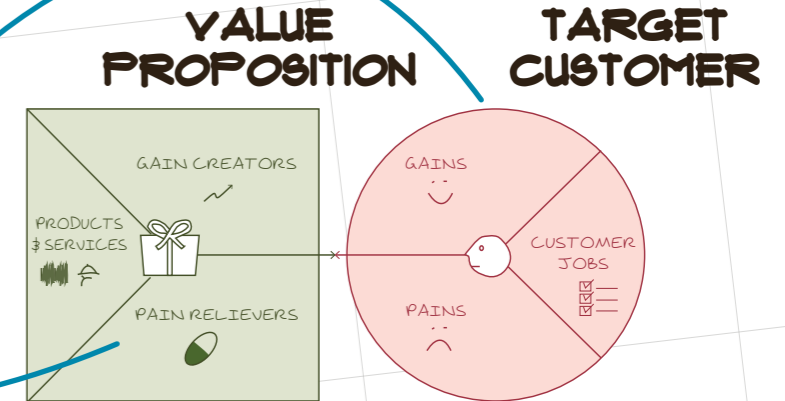
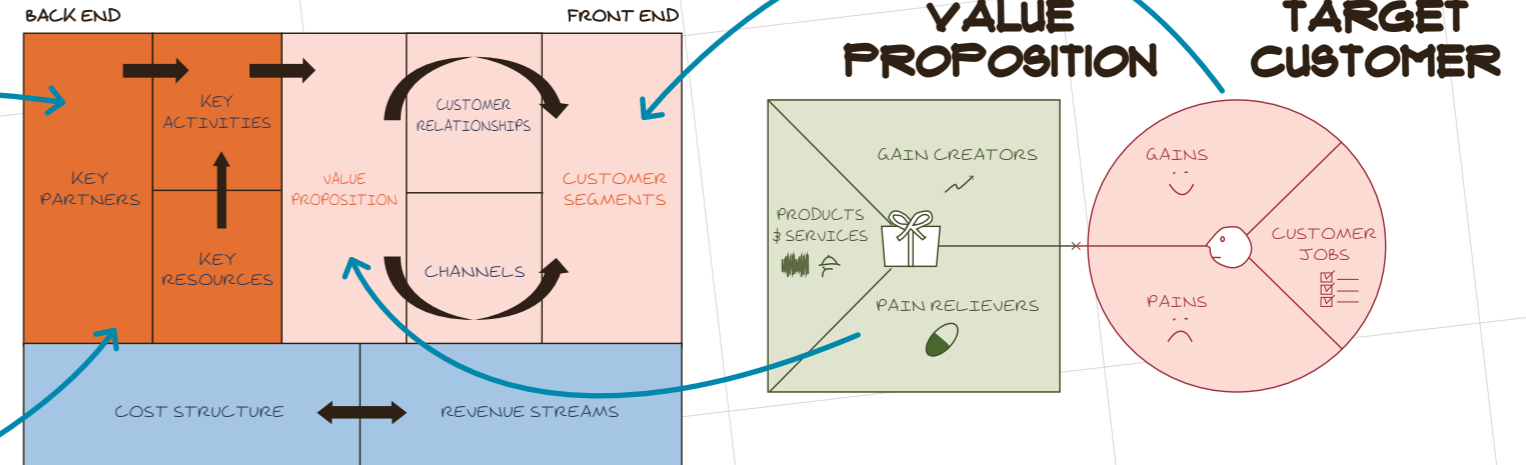


The link is roughly  
 P = Key Activities  
 S = Key Partners  
 O + L + I + M = Key Resources

# IT COVERS THE BACK END OF THE BUSINESS MODEL CANVAS

CH1

## BUSINESS MODEL



Are **CHANNELS** and **CUSTOMER RELATIONSHIPS** part of an operating model? Yes in so far as they involve **KEY ACTIVITIES** or **KEY PARTNERS**



# WHAT IS THE ...

CH1

The Business Model Canvas is a framework developed by Alex Osterwalder, Yves Pigneur and co-authors to describe the main elements of a business. It describes how an organization creates, delivers and captures value, what value is being delivered and to whom.

You do not need to be familiar with the Business Model Canvas to understand and work with the Operating Model Canvas, but you will find it useful.

The book Business Model Generation, published in 2010, provides more information and there are on-line resources at [strategyzer.com/bmg](http://strategyzer.com/bmg)

## KEY PARTNERS

External organizations who provide important inputs to the organization. They may be suppliers of raw materials or distribution services or IT support. Equivalent to the suppliers box in the Operating Model Canvas.

## KEY ACTIVITIES

The most important work steps needed to deliver the value proposition. Equivalent to the processes arrow in the Operating Model Canvas.

## KEY RESOURCES

The most important assets, such as people, technology, machinery, brand, buildings and locations. Equivalent to the locations box (which includes assets), the organization box (which includes people) and the information box (which includes data assets) in the Operating Model Canvas.

## CUSTOMER SEGMENTS

The different groups of people the organization is trying to serve.

## VALUE PROPOSITIONS

The offer to the customers or beneficiaries of the organization.

## CHANNELS

How the organization communicates with and distributes to customers or beneficiaries.

## CUSTOMER RELATIONSHIPS

How customers are acquired, engaged with and retained.

The four items in this column are about market strategy - what to offer to whom through which channels. They have implications for the Operating Model Canvas.

# ... BUSINESS MODEL CANVAS?

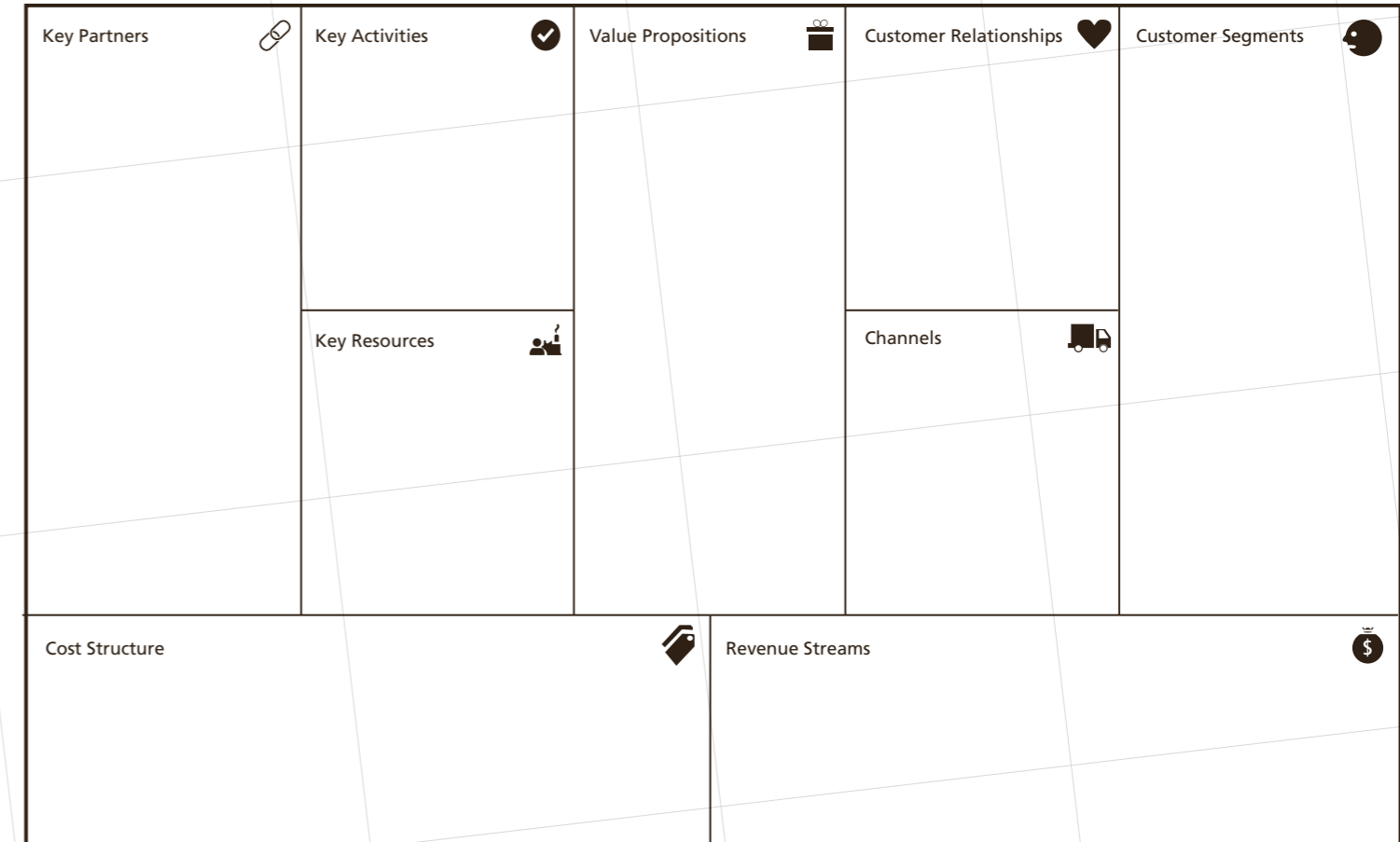
## The Business Model Canvas

Designed for:

Designed by:

Date:

Version:



CH1

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WHAT IS THE BUSINESS MODEL CANVAS?

< 17

16 >

OPERATING MODEL CANVAS

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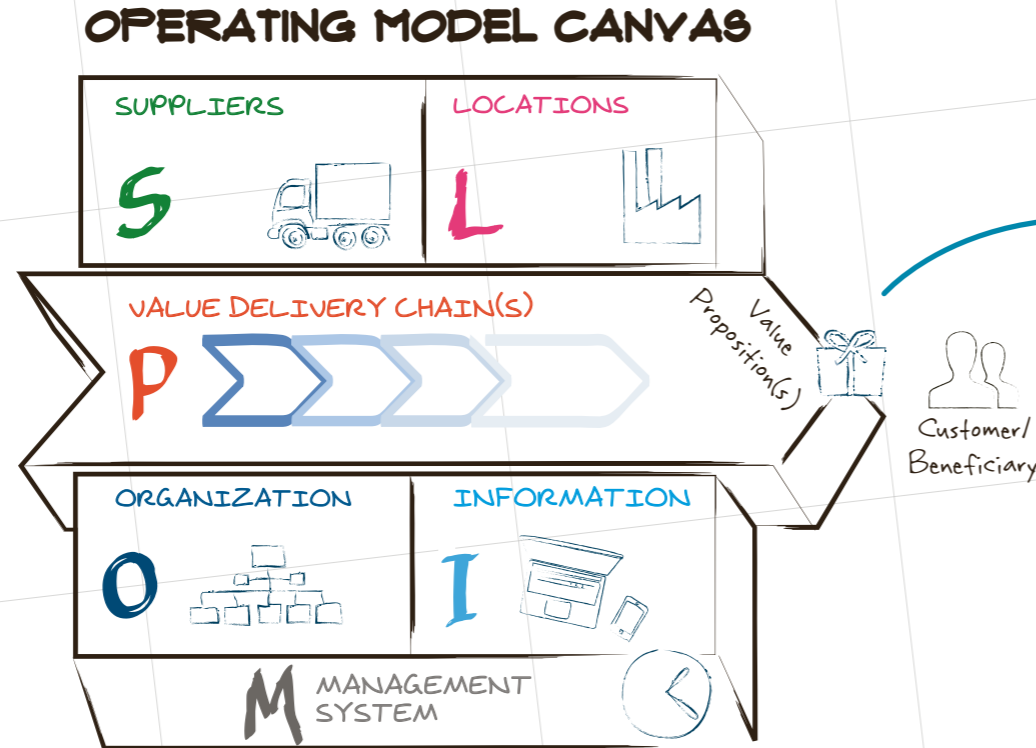
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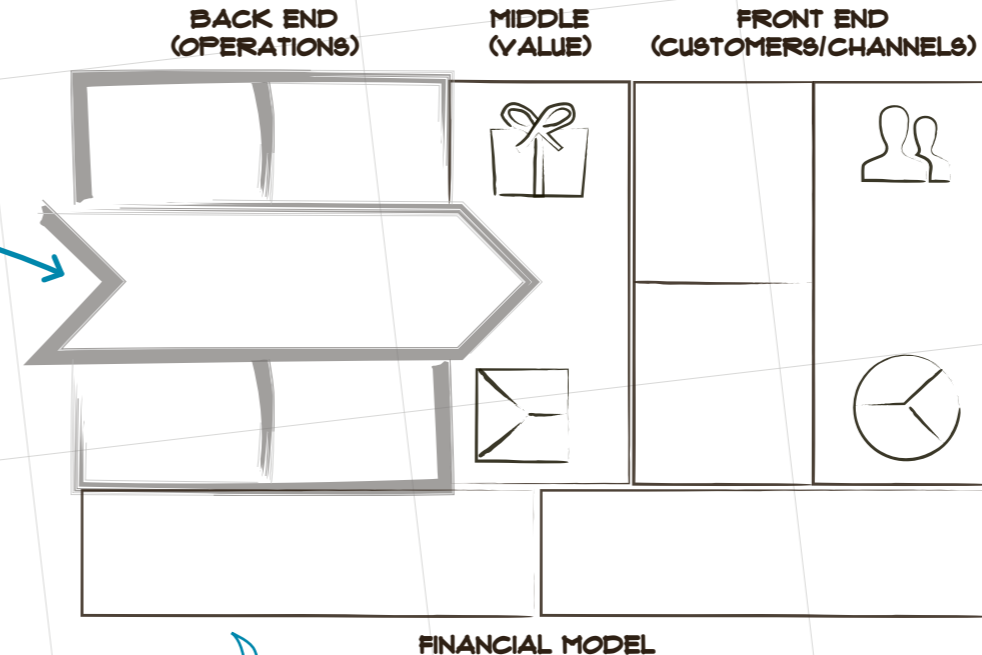
# HOW DOES THE OPERATING MODEL CANVAS LINK TO ...

## THE OPERATING MODEL CANVAS HAS SIX ELEMENTS:

- ▶ the work that needs to be done to deliver the value proposition (**VALUE CHAIN**);
- ▶ the people who do the work and how they are organized (**ORGANIZATION**);
- ▶ where the people will be located and the assets they need to help them (**LOCATIONS**);
- ▶ what information systems the people need to help them (**INFORMATION**);
- ▶ the suppliers who support the work (**SUPPLIERS**); and
- ▶ the management system used to run the organization (**MANAGEMENT SYSTEM**).



# ... AN ENHANCED BUSINESS MODEL CANVAS



The Operating Model Canvas has icons for value proposition and customer. These are treated as inputs to the operating model design rather than as part of the design challenge. The book "Value Proposition Design" shows how to design these inputs.

The Operating Model Canvas with SIX elements is a more powerful "back-end" than the three elements - Key Activities, Key Resources and Key Partners - of the Business Model Canvas.