

Business Operating Model Design

Designing in lower cost, higher revenue and better customer alignment

The cost and effectiveness of a business is largely determined by how well the business's operating model is designed. A well defined operating model should address the following strategic questions:

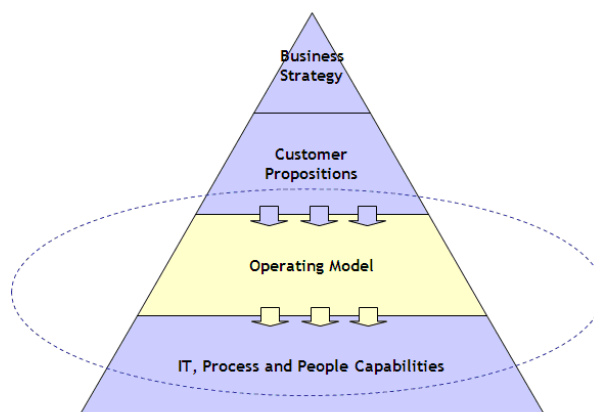
- What is the most efficient way to do things?
- What activities get done where (centrally, decentralised, outsourced)?
- Who is responsible for what (organisation alignment)?
- What is the most effective way to measure and reward performance?
- What new or enhanced capabilities (people, skills, technology and process) are required to support the operating model?

We have developed a targeted diagnostic that ensures the people, organisation, processes and technology are enabled to deliver customer propositions appropriate to the current environment.

We have helped identify and deliver significant improvements in efficiency and effectiveness in our clients.

What do we mean by Operating Model?

An operating model defines how the people, organisation, processes and technology are configured to deliver one or more customer propositions. It is the blueprint describing how things get done where they get done and by whom. Customer propositions combine the product and service offerings, the target segments and the basis for their distribution. Determining the right choice of operating model and supporting capabilities to support customer propositions is the key to lower cost, higher revenue and better customer alignment.



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Why consider changing the operating model?

From our experience there are a number of imperatives for reviewing the design of an operating model and how it might be improved.

Changing marketplace demands – cost and efficiency

In the current downturn, significant improvement in efficiency is an imperative. Looking at people, organisation, process, systems and measurement holistically provides the best scope for significant and fundamental improvement. Importantly too, the nature of demand both volume and mix is likely to change significantly too over the next few years in a radically different economic environment.

Operating models have evolved but not been designed

Many organisations' operating models have grown and evolved over time and there are no coherent architecture or design principles. Change has been layered on top of change and the resulting model may be effective but is unlikely to be efficient.

Customer experience

Many companies have one part of their organisation customer facing (sales, service and marketing) but the remaining parts of the operation internally facing. Driving consistency in customer experience across all contact points can yield significant improvement in customer satisfaction and loyalty. Rethinking the operating model starting with customer is becoming a major imperative.

New thinking in operating model design

In working with different organisations around designing new operating models, we have focussed on three complimentary approaches for redesigning how organisations work. Combining consolidation, tiering and upgrading capability has the potential to yield major performance improvements.

Consolidation

The goals of consolidation are determining those activities and processes that can be completed centrally without impacting customer experience. By centralising benefits can be realised through economy of scale. More valuable is also the ability to improve the consistency and quality of how those activities and processes are completed.

Horizontal versus vertical (Tiering)

In many organisations, different aspects of the business have been organised (evolved) in silo's. Yet on careful examination many of the activities in each silo are similar across silos. Realigning the organisation in horizontal layers can yield very substantial benefits reducing manpower, improving alignment to customer needs and managing employees more easily.

Upgrading capability

The third major consideration that we make in reviewing an operating model is to understand which business capabilities require upgrading to support a new operating model. The focus is to identify those capabilities that yield the highest benefit. Our experience has highlighted some recurring capabilities including relationship management, performance measurement and process automation.

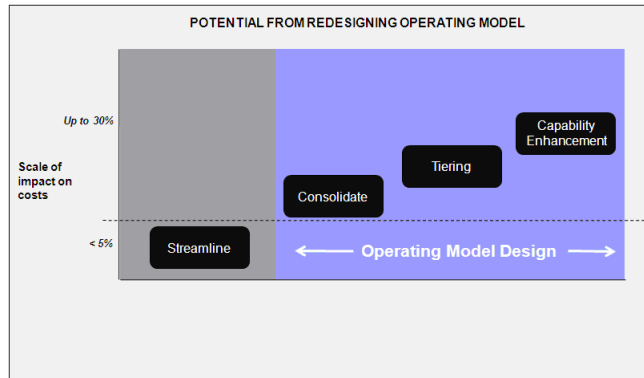
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ENABLING HIGHER
BUSINESS PERFORMANCE



What is the scale of potential improvement?

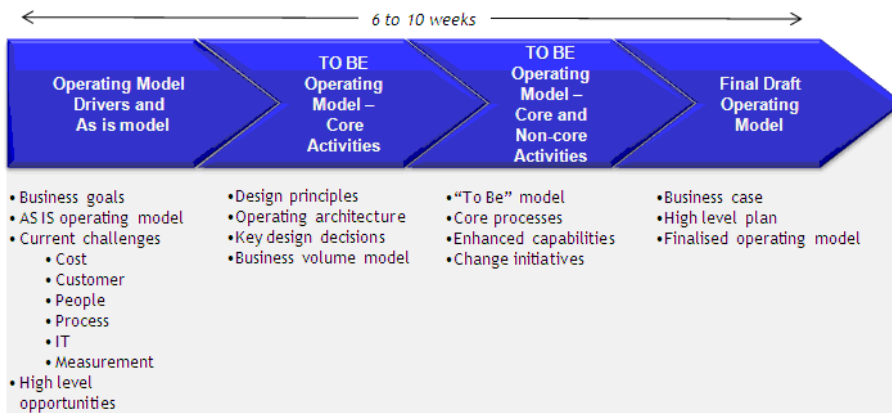
We have seen that substantial and dramatic improvements can be identified from revising how an operating model is structured. The scale of benefits is more dramatic than streamlining approaches such as process re-engineering or six sigma because of the scope of the approach.



How can we help?

We have developed a short analytically based and business driven diagnostic, illustrated below. This diagnostic identifies where the most significant improvements are in changing the design of the operating model. The scale and scope varies by organization but in most cases can be completed in six to ten weeks.

Business Operating Model Review



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