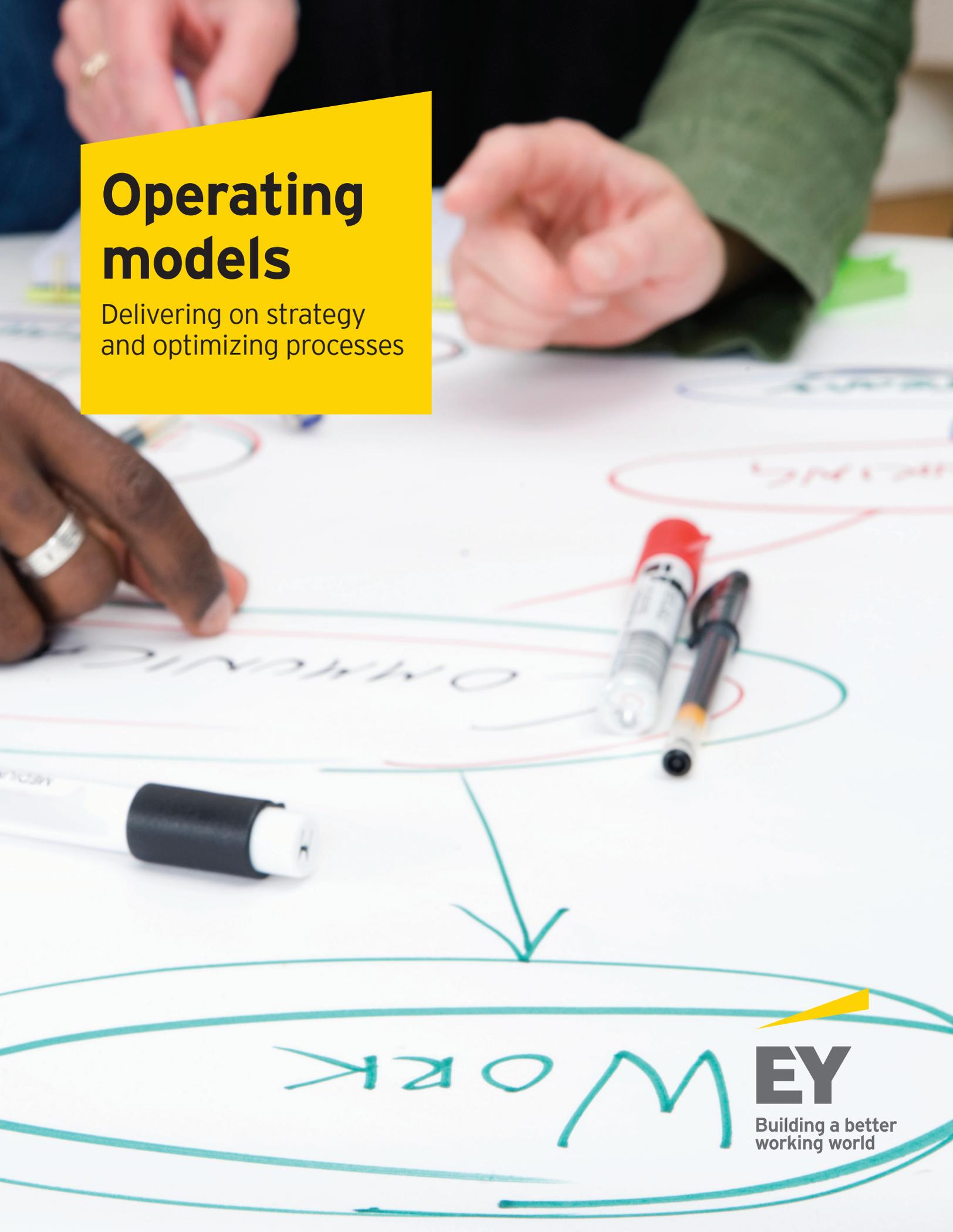


Operating models

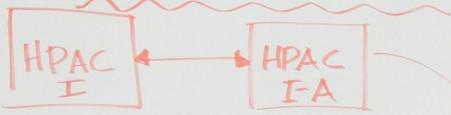
Delivering on strategy and optimizing processes



Building a better working world



BDPR 246.2



HD&TR DISP

MKTG PDS

42,849

ROC
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AVMAR
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CURRENT Customers...



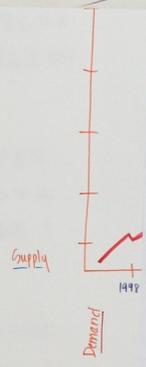
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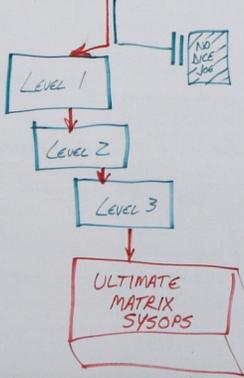
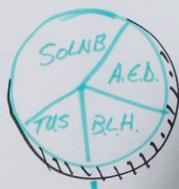
LUNCH

2:00 pm — Convene: Recap

- II. 649
- III. 28
- I. 3834
- II. 6487
- III. 4987
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- III. 1398



- INTRO
- TALK
- DIALOGUE
- DISCUSS
- PONGER
- THINK
- ANALYZE



DEC8
MKT



Continually think market; develop memorance relations.

given research/data

TEXP

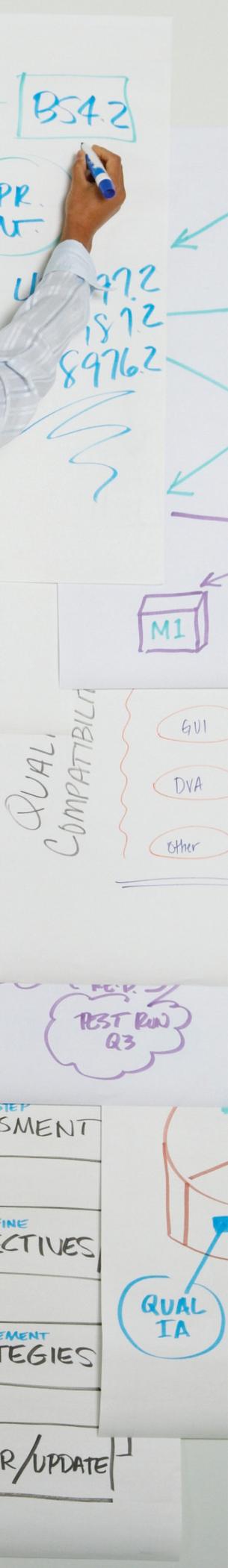
LINE
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EXT TO BBT

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MONITO



Great leaders have an inspiring vision. Staff are experts at what they do. Yet many companies struggle to bridge their strategy (the “why”) and their processes (the “how”) with the “what” – and that’s where an operating model comes in. Why is this?

Often we find that company leaders have strong aspirational visions that rally employees to the why, and employees have systematic processes that get the job done because they are experts in the field and know the how. But in many situations we see that the true vision is never realized, because employees can’t connect to the strategy in a practical way. We see processes never truly gain efficiency because they seem disconnected to a broader context. Because of this, companies may fail to realize their full potential.

In our experience, a well-defined and articulated operating model is the what—**the bridge between strategy and day-to-day operations** that guides the team, provides the context, and enables the behaviours that will realize the strategy and vision.

An operating model is the bridge between strategy and operations



Why are we doing this?

Leaders have increased visibility into the impacts and trade-offs of strategic decisions on day-to-day operations and initiatives.

- 
Example artifacts: Strategy articulation document, purpose, policies, organizational roadmap

What are we doing?

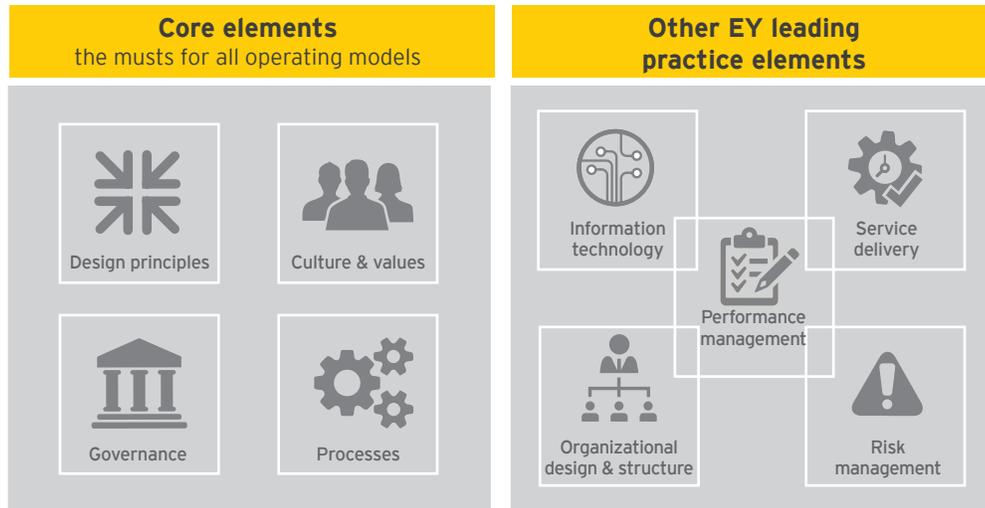
An operating model translates strategic intent into operational capabilities. It serves as the foundation for execution and provides a clear guide for enterprise leadership team, line managers and operational teams.

How do we do things?

It allows employees to increase engagement in strategy, providing a clearer view on how it affects their roles, processes, teams and supporting technology.

- 
Example artifacts: Process maps, procedures, guidelines, work instructions, standards, tools and systems

Through our years of experience designing and implementing operating models, we've come to understand that operating models have to have the right elements. While there are some standard elements many organizations have adopted (the "musts"), we believe the strongest operating models include other leading elements.



Defining an operating model is a disciplined process that recognizes a strategy cannot do everything, for everyone all the time. In order to execute the strategy successfully, an operating model is required. Before designing an operating model, leaders must agree on the type of company they want to lead: operationally excellent, customer focused, or product leading (Source: *Disciplines of Market Leaders*). This helps create the foundation for robust design principles that align with a well-defined business strategy. These principles require the leadership team to draw out and make intentional choices about the trade-offs needed for the strategy to succeed. In addition to building internal agreement about what the strategy means, these principles can be used as a guiding light for the creation of an operating model to ensure all elements hang together in a cohesive product.

From there, leaders can begin to build the other elements in iterations - from structure and roles to processes and metrics - which will ultimately form the operating model.

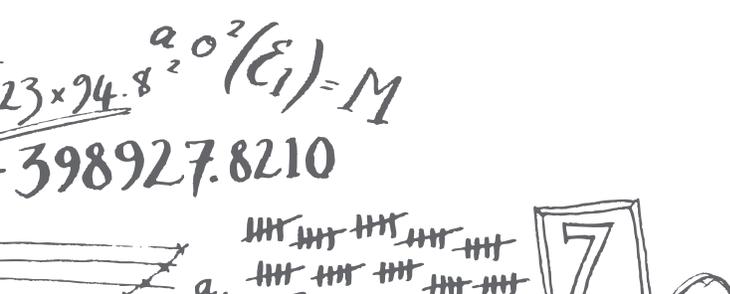
Below we have defined the core elements of an operating model:

Design principles: Translates the strategy into a set of rules defining how the organization should operate. They also provide rigour, consistency, context and structure to guide the design process.

Governance: Defines the decision-making and delegation of authority, and creates the framework that balances stakeholder interests and risk mitigation.

Culture & values: Defines the key attributes and behaviours the organization strives to infuse within its people – establishing how work will get done and the values the company upholds, acknowledging the company's unique flair and how this is critical to for the team to work more effectively together.

Process: Defines the key capabilities the organization commonly exemplifies from an end-to-end perspective.



Companies without operating models can face unnecessary issues

Defining an operating model will provide the blueprint of how to execute on a strategy. Without a defined operating model, organizations could experience the following challenges.

- 1. Operational inefficiencies** as people expend effort in areas not aligned with the strategic plan. An environment of busy people can further mask the reality that energy is lost to work that is not important.
- 2. Ambiguity around accountabilities**, roles and responsibilities can slow down decision-making. When these aren't clear, there is duplication of work or, worse, slippage of critical tasks leading to schedule delays and financial consequences. This is especially important when companies are in high-growth mode: if many new employees are being onboarded without a clear and consistent message on how the company operates, then they can embark on their roles without any "north star" to guide their actions and decisions.
- 3. Low interaction and integration** between divisional units and functional areas, as it is unclear to people how they should cross these implicit boundaries. These non-standardized approaches to processes and procedures can lead to the loss of valuable organizational learning and reduced usefulness of systems and data.

- 4. Increased or sustained operating risks** due to the absence of clear principles, roles, responsibilities and processes. Without clear guidelines, employees can unknowingly conduct their work in a manner inconsistent with standards, and in ways that do not align to safety or regulatory standards, thus potentially exposing the company to more risk.

Operating models need to evolve along with the business model and strategy to guide how people produce the right results. The operating model serves as a blueprint for how resources are organized to get critical work done.

"After the consolidation of three organizations into one, we needed 'glue' to redefine what the organization should look like."

Executive Vice President,
Strategy, Provincial regulator



Companies that articulate and implement operating models can experience positive changes

Once a well-defined operating model is in place, organizations may experience several competitive advantages.

- 1. Improved business performance** as a result of increased operational efficiency. When it's clear who does what, duplication of work is diminished. This elimination of wasted effort allows time for innovation and improvements to the customer or stakeholder experience or improved working capital. Part and parcel with this is improved cost management as a result of better ability to understand processes, plan, and control the budget – all due to an entire company aligned around a single way to operate. A well-articulated operating model also creates a baseline to improve upon whereby leaders understand clearly what is done today and therefore have a starting point to improve upon tomorrow.
- 2. Better connection with stakeholders** by adapting to their changing needs – as market environments change, organizations that adapt are able to meet or exceed their stakeholders' and customers' changing needs. A clear operating model provides a framework by which to continually map and manage stakeholders.
- 3. Increased process integration** across divisional units and functional areas reducing duplication of effort. Through standardization, organizational learning can be leveraged across the organization. Systems and data become transparent and more useful, and employees can better link their piece to the rest of the puzzle.
- 4. Improved coordination and decision-making.** Operating models provide improved ability to plan and sequence initiatives, as dependencies across the organization are better understood. Leaders are able to transparently see where weaknesses in capabilities (people, process or technology) exist, and work together to find a remedy that better aligns with the strategy.
- 5. Better ability to grow and scale quickly.** When the basics are written down, they're easier to communicate to existing and new staff, and easier to review at critical junctures as companies mature and become more complex.
- 6. Improved risk management.** When there is a common understanding of roles, responsibilities, goals and processes, risks can be identified and mitigated earlier and more easily. In addition, with the right governance in place, risks can be escalated.

“We’re seeing the results of implementing an operating model. It’s guided us on what is important to focus on and it’s stopped a lot of ‘churn’ around decisions.”

Executive Vice President,
Strategy, Provincial regulator



Key consideration: It's important to remember not to overdo it. Some companies get caught in the trap of defining the what and the how to large levels of detail and become highly prescriptive. They lose flexibility, create a compliance culture and employees can lose a sense of creativity and entrepreneurial spirit. Success is about finding the right balance for the organization.

“We’re doing a much better job of focusing our decisions at the right level, thinking enterprise-wide, rather than making decisions in silos, based on what’s best for a particular department.”

Vice President, Program Investment
Not-for-profit foundation

It takes work to develop and implement an operating model, but it's worth it

Leaders want to enable and enact their strategies. Staff want to be part of something bigger. So why doesn't every company have a clearly documented what, to bridge the why and the how? Because it's hard work to get it done. But these critical steps are ones worth taking.

1. Assess your current state - ask yourself: *what's working? What isn't?*

Understanding your current state is a critical first step to developing and documenting an operating model. Identify and interview key stakeholders from across your operations with a standard set of questions to capture opportunities, pain points and overall themes about the current state. In addition, do a solid review of current documentation to determine if it hangs together and tells the story you want it to about your why, what and how.

2. Determine if there is a need to change - ask yourself: *what's the burning platform for change?*

Current state assessments may determine that all that is needed is a stronger and more compelling documentation of the current state. They may also unearth pain points that, if not solved, will get in the way of achieving strategic goals, hinder growth, or put your organization at risk. If the latter is true, a strong case for change that includes the consequences of not changing needs to be developed and communicated across the enterprise. Getting employees excited and mobilized around a common need to change is critical to success.

"Educating people on the process of designing an operating model builds a strong foundation for change."

Director, Innovation and Change Management,
Government administration agency

3. Get the right people at the table - ask yourself: *whose viewpoints are required to build the future state?*

Regardless of whether an operating model will document the current state or bring about change, getting the right people at the table will expedite decisions with representation from across business units and functions.

In addition, creating the right working teams and steering committee can bring additional diversity of thought and aid with buy-in, which can result in a suitable approach for your organization.

"It's critical to uncover passive resistance and make sure everyone understands the case for change."

Executive Vice President,
Strategy, Provincial regulator

4. Define your design principles - ask yourself: *how will the organization need to work together to achieve our strategic goals?*

Design principles articulate the parameters for the future state, set the context and are born of an organization's strategic priorities and current state assessment. Usually plotted along a spectrum, design principles result in key statements to guide the development of the operating model document.



5. Shape your future state - ask yourself: *what critical elements need to be included in our operating model?*

Once the case for change has been developed and the right people are at the table, you're ready to shape your future state. Regardless of the degree of change anticipated, it's important to determine the key elements you need to include as part of your documented operating model, and give weighting and attention to your most contentious elements, or those that are most critical to your operations.

Development of the future state should happen through a series of workshops, each focused on a different element of your operating model. Each workshop should anchor attendees on the purpose of an operating model, the case for change and a definition of the element at hand before diving into facilitated discussions and exercises to help define the future state for that element. A focus on asking better questions about the current and future state will get better answers, resulting in a stronger documentation of your operating model.

6. Get it all down - ask yourself: *who's the audience for this, and what will resonate with them?*

Facilitating workshops can be hard work, but capturing all the salient points, decisions, critical questions and answers, as well as opportunities for change and improvement, can be even harder. Post-workshops, it's time to document the outputs of the workshops into a single, coherent, and cohesive document that is plainly worded and easily understood.

7. Implement it - ask yourself: *Practically speaking, how will we make all this come to life?*

Internal stakeholders will not see or feel anything you've decided or developed until implementation starts and takes hold. So it's critical to not let up on any momentum once the operating model is agreed. Strong implementation includes identifying initiatives that will help achieve new goals, placing those initiatives in the broader context (what else is going on? How will base operations be impacted?), assigning accountability for them, planning and executing on those plans. Of course, all of this is enabled through dedicated change management and communications efforts to ensure employees are not only aware of changes, and understand them, but have bought in and are committed to helping make changes.

"If the operating model is out of reach for the audience, it's not delivering what it needs to deliver"

Executive Vice President, Strategy,
Provincial regulator

"Without very strong communication and implementation, efforts to develop an operating model are utterly wasted irrespective of how good it is"

Vice President, Program Investment,
Not-for-profit organization



Key consideration: Ongoing maintenance and stewardship of an operating model is an element that often gets overlooked. Having someone accountable for keeping the information relevant, up to date and aligned with the strategy is critical – otherwise things quickly become out-of-date and employees lose interest.

EY can help

Our team has deep experience in developing and implementing operating models across multiple complex industries. We can help you translate your strategy, articulate your state and make it all come to life through meaningful implementation.

Building, refining or finalizing strategy

We work with clients to finalize the why – the strategy that drives the organization and guides the content of its operating model.

Determining the operating model components required

Each organization is unique and has unique needs. We work to understand your current state, and determine what you need as part of a customized operating model.

Developing content

Through a collaborative process, we can help you unearth and articulate your state, and document it in a compelling, practical, and easy-to-understand way.

Managing the process

Developing and implementing an operating model can be tough work. Our deep experience and proven methodology for managing projects and developing and implementing operating models can lighten the load on you.

Aligning leaders and staff

At EY, we know that business engagement and business readiness leads to business adoption of changes required to make the strategy and state come to life. Our approach hinges on the engagement of leaders and staff through operating model development and the meaningful preparation for any changes made as part of implementation.

Planning and leading implementation

The rubber truly hits the road with implementation. Without proper implementation, the value of an operating model risks being lost. We work with teams who can drive change to create plans for implementation. Where ability to implement is low, we can also provide value by co-leading implementation efforts, while simultaneously transferring knowledge and capabilities to your people to sustain implementation efforts.

“EY was able to ask questions or push on things that employees just can’t.”

Director,
Innovation and Change Management,
Government administration agency

“There is huge benefit to having an outside perspective in developing an operating model.”

Director,
Innovation and Change Management,
Government administration agency

“The approach that was taken by EY got us there a lot quicker and easier than we’d thought.”

Executive Vice President, Strategy,
Provincial regulator

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