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# Move fast to thrive

Intelligent operating model as a competitive advantage

**Three-quarters of businesses report that the disruptive impact of constantly shifting customer demands and new market entrants has increased over the past three years.<sup>1</sup> Yet their operating models aren't changing at pace.**

**Most are too big, too slow and too expensive to be effective in combating an onslaught of creative destruction heralded by platforms, ecosystems and an exponential increase in complexity.**

**While slow movers won't last, it's the fast movers who will thrive.**

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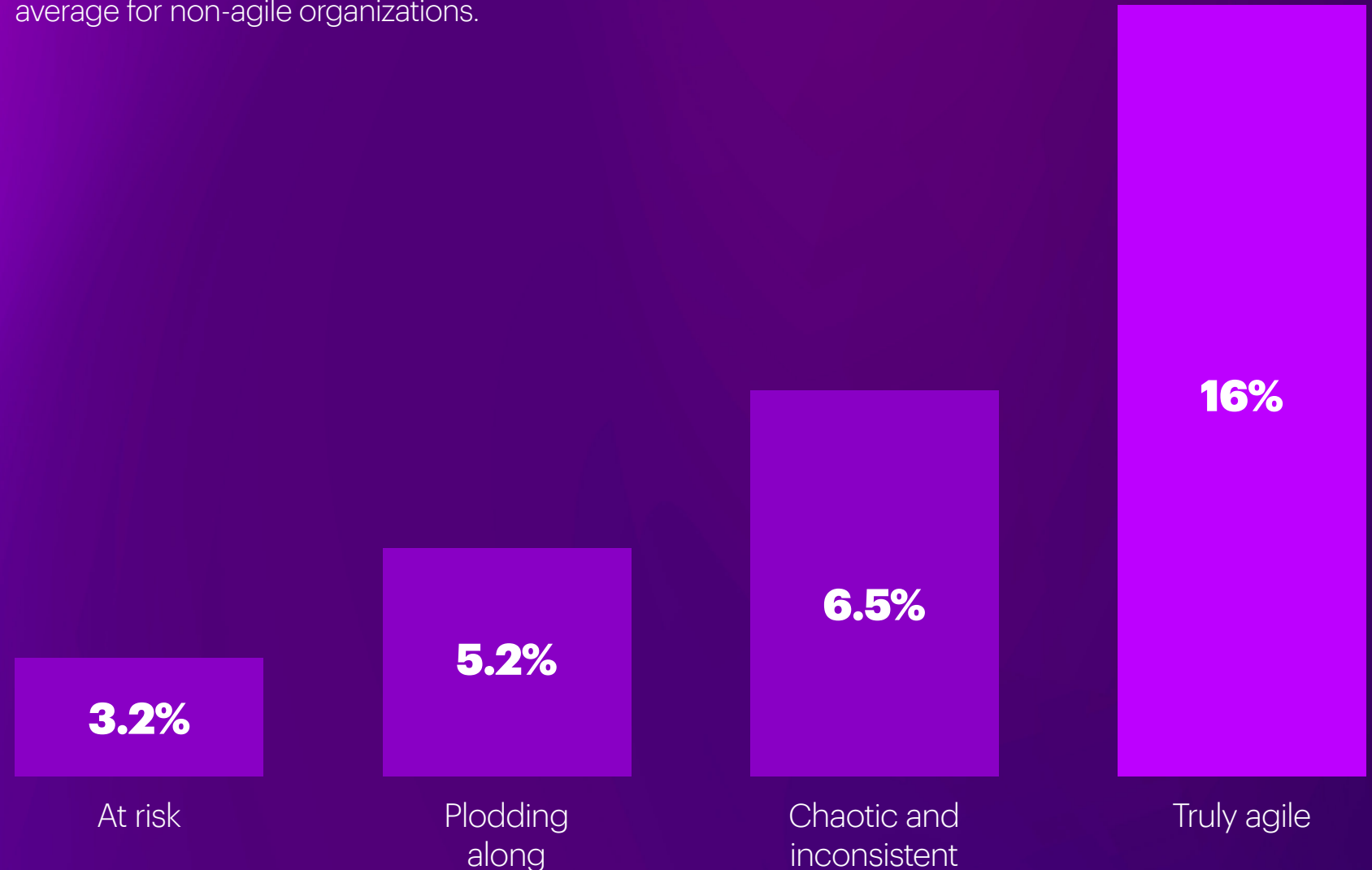
**Today's operating models are better suited for a time when the major competitive strategies were focused primarily on either scale or local responsiveness. The conventional wisdom: Companies couldn't do both.**

Yet some players have proved that scale and responsiveness aren't mutually exclusive. Consider Amazon, as one example.<sup>2</sup> How do they do it? By gaining competitive agility through operating models that continuously keep pace with the market.

Accenture Strategy research shows that agile organizations enjoy a nearly threefold earning advantage. Truly agile organizations obtain a long-term EBITDA growth of 16 percent, compared to just six percent for non-agile organizations.<sup>3</sup>

Essential for gaining this level of agility? Embracing five characteristics and making them part of the operating model DNA: Human. Liquid. Enhanced. Living. Modular.

Agility pays: The long-term EBITDA growth for truly agile organizations is 16 percent compared with six percent on average for non-agile organizations.



**10-year EBITDA growth (2007-2017)**

Source: Accenture Strategy, Organizational Analytics research, 2019.

# Key to changing your operating model: Leverage the “Pathfinders”

Recent Accenture Strategy research revealed a new group of employees and consumers with significant influence. People highly motivated by purpose. We call them “Pathfinders.”

Pathfinders are twice as likely to be on the fast track to leadership and have the critical skills that enable them to choose the companies they work for. They are 57 percent more likely to work for companies that have a clear purpose they can relate to and are twice as likely to be motivated to give their best to their employer.





# Human

**So how can big incumbents get much more organizationally nimble? They need to start by designing around humans and what they care about, from employees to end consumers. With a culture that promotes authenticity and continuous learning to deliver on a purpose—one beyond a pure profit motive—that keeps the best employees and customers.**

This lays the foundation that supports the other characteristics of the operating model: liquid, enhanced, living, modular.

A classic example is Unilever. When Paul Polman took the helm in 2009, Unilever established an aspirational purpose to guide all its activities “to make sustainable living commonplace.” Since then, its sustainable brands have grown 50 percent faster than the rest of its portfolio.<sup>4</sup>

But it’s not only lofty high-level purpose that matters. Employees throughout the ranks need to grasp their contributions in the context of a larger goal. Their piece of the overall mission and vision. A Gallup poll found that a staggering 87 percent of employees

worldwide are not engaged or are actively disengaged at work.<sup>5</sup> When employees feel like a cog in a wheel, change goals are that much harder to achieve.

So, what does your workforce value? Where do they want to go career-wise? The culture needs to promote personal authenticity and continuous learning to deliver on purpose. And incorporate their personal passions so that employees feel they can bring their whole self to work.

This culture of authenticity needs to be woven throughout the company so distinctly that consumers and the market at large grasp it, too. According to our research, 67 percent of consumers are more likely to place an emphasis on buying from companies that contribute to society.<sup>6</sup>



# Liquid

**Operating models used to be about building walls—and walls within those walls—to keep an organization impenetrable. But that was before the dawn of digital, when the most treasured features of a company resided inside. Now leading companies are building structures that are porous. “Liquid.”**

To seamlessly access people, processes, systems and assets from anywhere. Because competitive muscle comes as much from what can be harnessed outside—across partners, suppliers, and adjacent companies—as it does from what’s within. Consider ecosystems: 84 percent of executives say they’re important to their strategy. Yet less than half possess the capabilities and organizational model to accommodate them.<sup>7</sup>

Liquid isn’t always about drawing people from outside in. Cisco Systems is creating a “gig economy” for its employees with the “Talent Cloud”—an internal virtual marketplace matching short-term assignments and projects to

individuals based on data and applicable skillsets. Talent Cloud enables Cisco to achieve greater agility by flexibly porting talent to tasks which improves retention and satisfaction of employees.<sup>8</sup> Liquid can also apply to assets. Intel sells the spare capacity in its fabrication plants to other chip designers in an experiment the company is running with a “foundry” model.<sup>9</sup>



# Enhanced

**Continuously adaptive organizations ensure that humans and machines enhance one another. They empower people with cognitive assistants, wearables, computer simulations, or data visualization. And automate lower-value activities. Machine learning is employed to transform linear, rigid operating processes into non-linear ones that can dynamically respond and evolve.**

And they harness the power of new technologies to make the workplace a strategic platform to drive productivity and wellbeing. Already, consumer industry disruptors have digitalized 50 percent of their processes, compared to just 27 percent of traditional consumer industry companies.<sup>10</sup> Humans and smart machines are collaborating ever more closely, work processes are becoming more fluid and adaptive, enabling companies to change them on the fly. Or to completely reimagine them and leap ahead on innovation and profitability.<sup>11</sup>

Fraunhofer's Smartface Consortium is testing embedded sensors and smart workstations in car-making plants to create a self-adapting, non-linear assembly line that can modify the steps in its process to meet changing demands and build customized cars. Humans act in partnership with machines as cognitive all-rounders that monitor the process and guarantee the flexibility of the entire system.<sup>12</sup> The Mayo Clinic and Delos, a design and technology firm, have created a way of tracking how employees react to changes in their surroundings to optimize the workplace for wellbeing and productivity.<sup>13</sup>



# Living

**As the language implies, living operating models are more “organism” than “organization.” With the help of new technologies and unprecedented levels of transparency, organizations can create entirely new, more flexible ways of structuring and organizing work that enable them to continually adapt to the market.**

The hallmark of a living operating model: Nimble, self-organized teams that prioritize progress over perfection. With a willingness to disrupt the status quo to act at a vastly accelerated pace. This doesn't mean companies will slip into anarchy. Discipline around governance is still critical. Think Airbnb and Spotify, some clear exemplars of companies with this characteristic.

Living organizations can be found in much more unlikely places. Like the UK Policy Lab, which “is bringing new policy techniques to the departments across the civil service, helping design services

around people's experience, using data analytics and new digital tools.” Using design thinking tools, the Lab has saved money and raised stakeholder experience levels.<sup>14</sup>

Michelin has driven greater responsiveness at the factory level by pushing operational responsibility to factory floor workers. Team leaders act as coaches where difficult decisions need to be navigated. One plant has increased production yearly since the program's inception, with more engaged workers who solve production line problems more quickly.<sup>15</sup>





# Modular

**Organizations that adapt at speed and scale are borrowing techniques from modular software or product design as well as structures found in nature to create independent business “modules.” Discrete businesses or capabilities that can be “plugged and played” at will based on well-defined, standardized interfaces.**

Being modular makes being liquid easier. Modular players can enable multiple operating models under one company instead of incurring the time and fixed expense of creating fully independent business units, a more conventional approach from the past. They can also respond faster to their customers and can more quickly and effectively partner with the wider external ecosystem to enhance or drive new offers—and faster innovation. And create platform-based businesses.

One example: Haier, a US\$35 billion Chinese white goods manufacturer. With more than 70,000 employees, Haier divided itself into more than 4,000 microenterprises, or MEs, most of which have 10 to 15 employees. Over the past decade the gross profits of Haier’s core appliance business have grown by 23 percent a year, while revenue has increased 18 percent annually.<sup>16</sup> Other examples of modular operating models include Carlsberg, where niche brands are run independently but share procurement and other back-office functions.<sup>17</sup>

## Some of the benefits of adopting the five characteristics into your operating model



### Human

Increase employee motivation

Focus on performance outcomes

Increase customer centricity

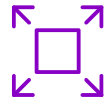


### Liquid

Optimize utilization

Find right talent for the work

Enhance customer offers



### Modular

Disrupt faster through multi-speed approach

Support multiple business models

Gain efficiency and flexibility



### Enhanced

Improve decision making

Free up humans for “human work”

Accelerate time to competency



### Living

Gain speed and responsiveness to market

Reduce complexity

Maximize talent



# Flexible and fast

Human. Liquid. Enhanced. Living. Modular. These five characteristics will transform operating models from static and mechanistic to flexible and fast. Getting there means shifting from top-down decision-making to individual empowerment guided by purpose and driven by data. It calls for razing rigid structures that emphasized territory and control to create a porous organization with modules that plug and play together. There are no prescribed routes to start the journey. Only guiding principles.

## **Find the combination of characteristics that work for you.**

There is no one-size-fits all answer for flexing your operating model. (We can't all look like Spotify.) Leaders need to find the model that serves their strategy and organizational context. What's more, one combination of characteristics that's right to address a specific part of your business may not apply across the organization. Pull on the right combination of each part of your organization that will drive growth, profitability and sustainability of the business.

## **Pick your path to evolve and transform.**

There are multiple pathways when it comes to adapting your operating model for the long haul. What do they all have in common? They're iterative and use the power of data and design thinking to steer the course. These range from experimenting in targeted areas before scaling. Or resetting a function: More and more companies are using a clean-sheet design to fundamentally re-think their organizations. One that challenges companies to reimagine the work to be done and how it gets done and shifts talent to work on what contributes to distinctive capabilities, operating models and outcomes needed to fuel growth.

## **Get clear with your structure.**

The new tenets represented by the five characteristics—human, liquid, enhanced, living and modular—don't spell the end of hierarchy—in fact, clear rules and codified ways of working underpin agile organizations. But they need to be designed and wired into the operating model. Each component of the operating model needs to be rewired: governance, structure, technology, process, etc. To do so, a new way of leading and managing the organization is required. That includes setting the environment (leadership and culture), pivoting the workforce (realigning and reskilling people to work in the new way), creating the right employee experience, and even continuously “hacking” the organization—i.e., using data to experiment with and continuously improve the organization.<sup>18</sup>

# Razing the rigid

**Disruptive technology is leveling the playing field. And traditional companies with old-school strengths are finding their staying power diminished. That's because traits that were virtues before—strict hierarchy and insularity—are vices now.<sup>19</sup> It's time to move fast, adapting operating models to the new normal.**

That entails changing from top-down decision making to individual employee empowerment. Getting rid of defined entities to move toward porous organizations with modules that plug and play. Moving from predictability and delivery of static plans to emphasis on innovation and the delivery of business value.

Slow movers die fast. The time is now to join the living (and the modular, the human, the liquid and the enhanced), and gain new levels of agility to outpace the competition.



**Contact our authors for more on how to implement intelligent operating models for competitive advantage.**



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