

## Purpose

An operating model provides the overall picture of how a business unit or organisation operates and how it interacts with other entities.

This analysis measures the capability and maturity of the current business operating model and defines a desired target state.

It also provides a roadmap of how to achieve the desired target state.

The purpose of this tool is to provide a simple, one-page description of the operating model that can be used to easily discuss what is required to deliver the target state. This tool is based on the Business Model Canvas.

## Principles & Assumptions

A business function is defined by the value it delivers to customers

The model shows the flow of value to the customer

Process flows should be supported by standard task descriptions

## **Level 1 – Initial**

Processes at this level are uncontrolled and in a state of constant flux, driven by ad hoc and reactive pressures.

## **Level 2 – Repeatable**

Processes are repeatable and discipline may be rigorous but inflexible. There is no method of change and so processes endure beyond their natural point, creating bureaucracy and inefficiency.

## **Level 3 – Defined**

Processes are defined and documented and subject to some degree of improvement but such efforts are sporadic, piecemeal and still driven by reactive pressures. Standards may be shared across the organisation but without consistency.

## **Level 4 – Managed**

Management effectively controls processes using metrics and adapts the standard to particular projects without measurable losses of quality or customer satisfaction.

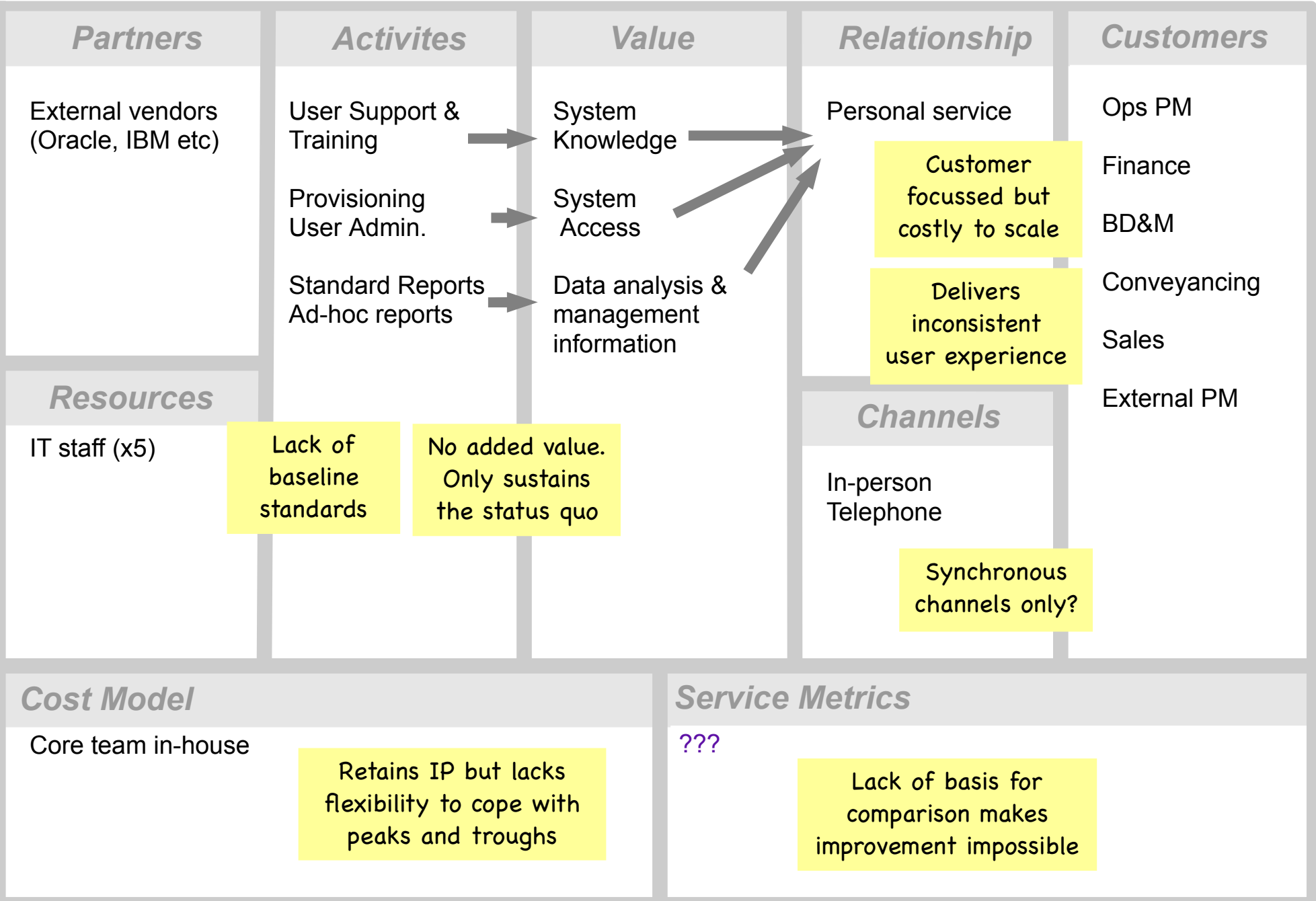
## **Level 5 – Optimizing**

Continually improving process performance (and hence business performance) is seen as everyone's responsibility. Improvements are delivered through incremental and innovative changes across the organisation. Processes are flexible and focussed on outcomes and the organisation adapts to its challenges.

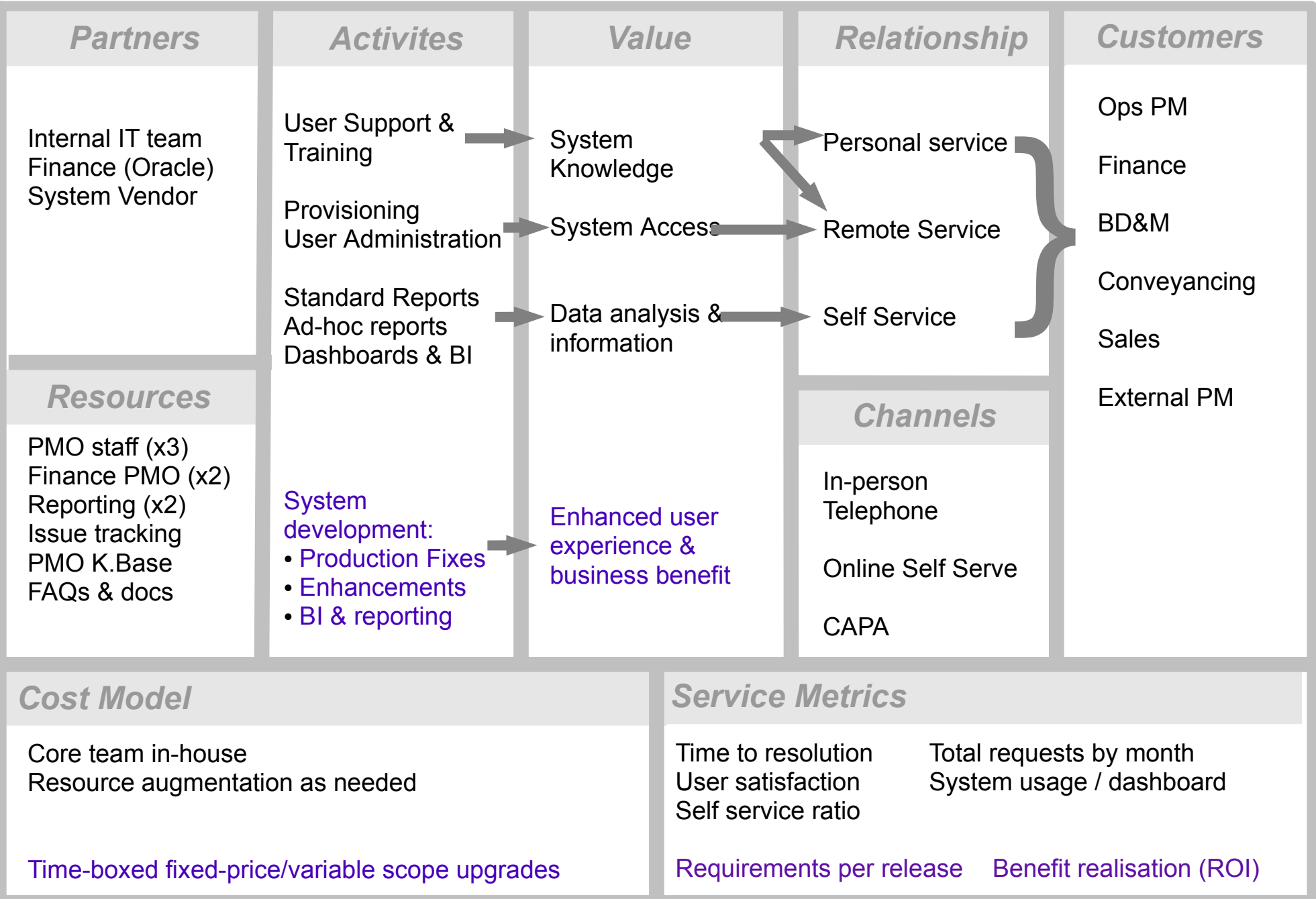
**Lean Operating Model**

<i>Partners</i>	<i>Activites</i>	<i>Value</i>	<i>Relationship</i>	<i>Customers</i>
<i>Resources</i>			<i>Channels</i>	
<i>Cost Model</i>			<i>Service Metrics</i>	

# Current Operating Model



# Target Operating Model



# Achieving the target state

Achieving the target state is a difficult journey to undertake.

It is nearly impossible to reach your destination in a single step.

It is equally difficult to sustain a given level of maturity once you achieve it.

You must build the capability within your organisation to relentlessly pull you up the maturity curve.

- Look for a pilot project to provide a go-and-see model
- Identify clear measures of success
- Pick leading indicators for immediate feedback
- Use kaizen workshops to teach and make rapid change
- Identify leaders at all levels who have a passion for improvement
  - Share the target state with them
  - Have them define a step which moves towards the target state
  - Develop their problem solving and coaching ability
  - Help them identify and solve problems
  - Identify the next step together
- Deploy tools such as Value-Stream-Mapping and A3 Problem Solving