



Wilson Perumal  
& Company



OFFERING  
INTRODUCTION

# THE OPERATING MODEL IMPERATIVE

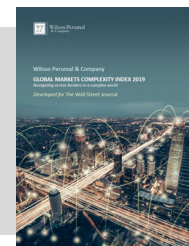
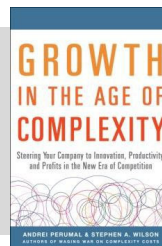
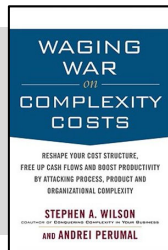
UNLOCKING PROFITABILITY AND GROWTH IN YOUR ORGANIZATION

# Executive Summary

- Operating models define how the business operates and achieves world class execution, but **too often as conditions change the operating model fails to keep pace**
  - Change is a constant and as complexity continues to increase and challenge current operating models
- **The current environment is accelerating recent trends** (e.g. hyper localization) and introducing new forces (e.g. flexibility and resiliency) which will shape the future
  - These forces are having polarizing changes which will require tradeoffs on Differentiation (strategic vs. routine) and Standardization (global vs. local)
- Operating model redesign can be a daunting task, but it doesn't need to happen only at the enterprise level – **consider starting in the back office**
  - This functional approach requires less change and as such results can be realized quicker (e.g. centralizing functions, automating or outsourcing key activities)
  - Regardless of design, certain principles will drive success—change management skills, redundancy in design, integrated technology, and leadership advocacy
- WP&C has extensive experience in op model redesign, and we **always adapt our approach to meet the specific and unique needs of your business**
  - It always starts with assessing the current state and setting a shared vision
  - Support can range from workshops (1-2 days) to a transformation program (3-6 mons)

# Wilson Perumal & Company at a glance

- Focused on complexity, helping clients compete in a complex world
- Boutique, strategy & ops consulting firm with ~40 full-time consultants
- Founded 2009 by Stephen Wilson and Andrei Perumal
- Value & results oriented: focus on profit, growth and working capital outcomes
- Publications: 2 books published by McGraw-Hill and significant work with The Wall Street Journal
- Our clients are leading corporations and private equity firms
- Consistently recognized (e.g., 2019 Best Small Strategy Firm to Work For)



# Major shifts are happening now.

## Is your organization adapting quickly enough?

### NEW IMPLICATIONS

**Health & Safety Focus:** Facilities, equipment, skills & tools needed for distance and virtual interactions

**Change Management Culture:** Be comfortable with change—people & processes need to be agile

**Consumer Expectations:** Increasingly persistent shifts in consumer behavior and spending patterns

**Flexibility/Resiliency:** Superior to efficiency and cost— the ability to shift assets quickly & easily is essential

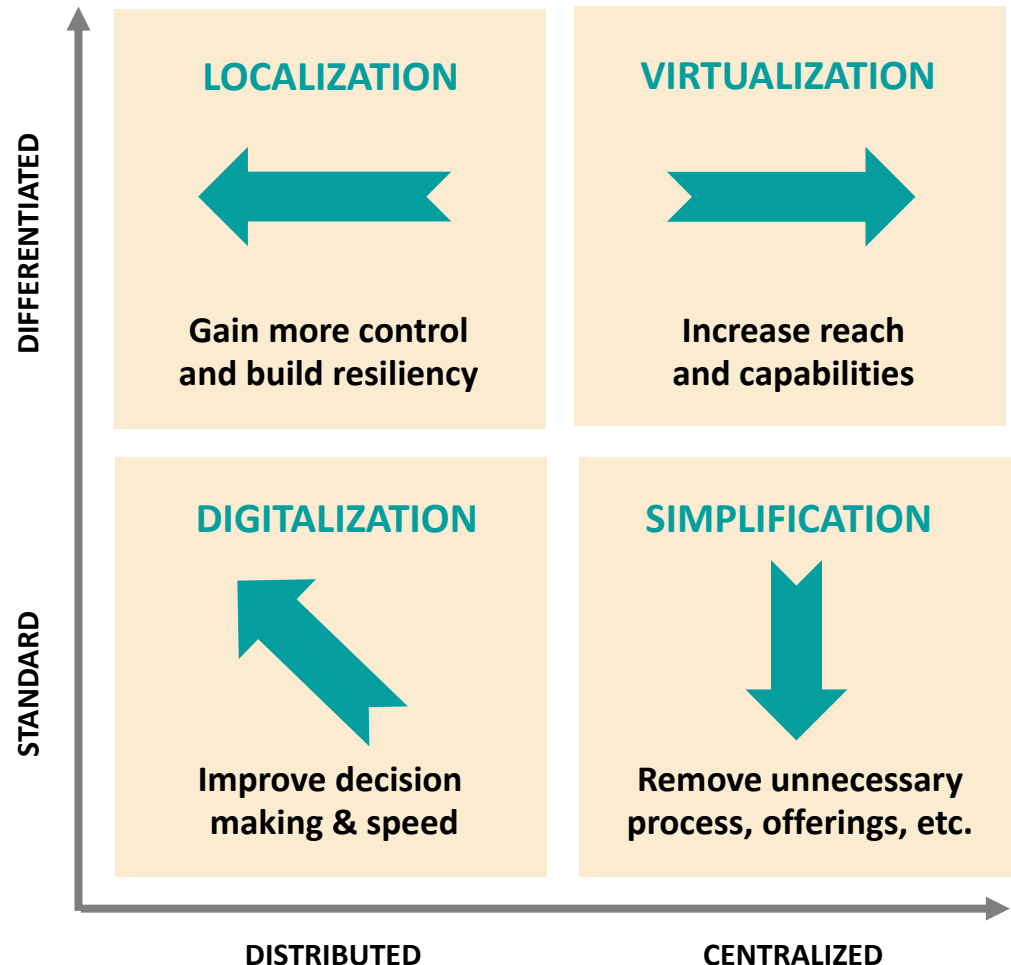
### ACCELERATING TRENDS

**Localization:** Gaining control—e.g. Bringing supply chain/mfg. closer to end-customer

**Virtualization:** Increasing accessibility—e.g. Virtual interactions with workforce and clients

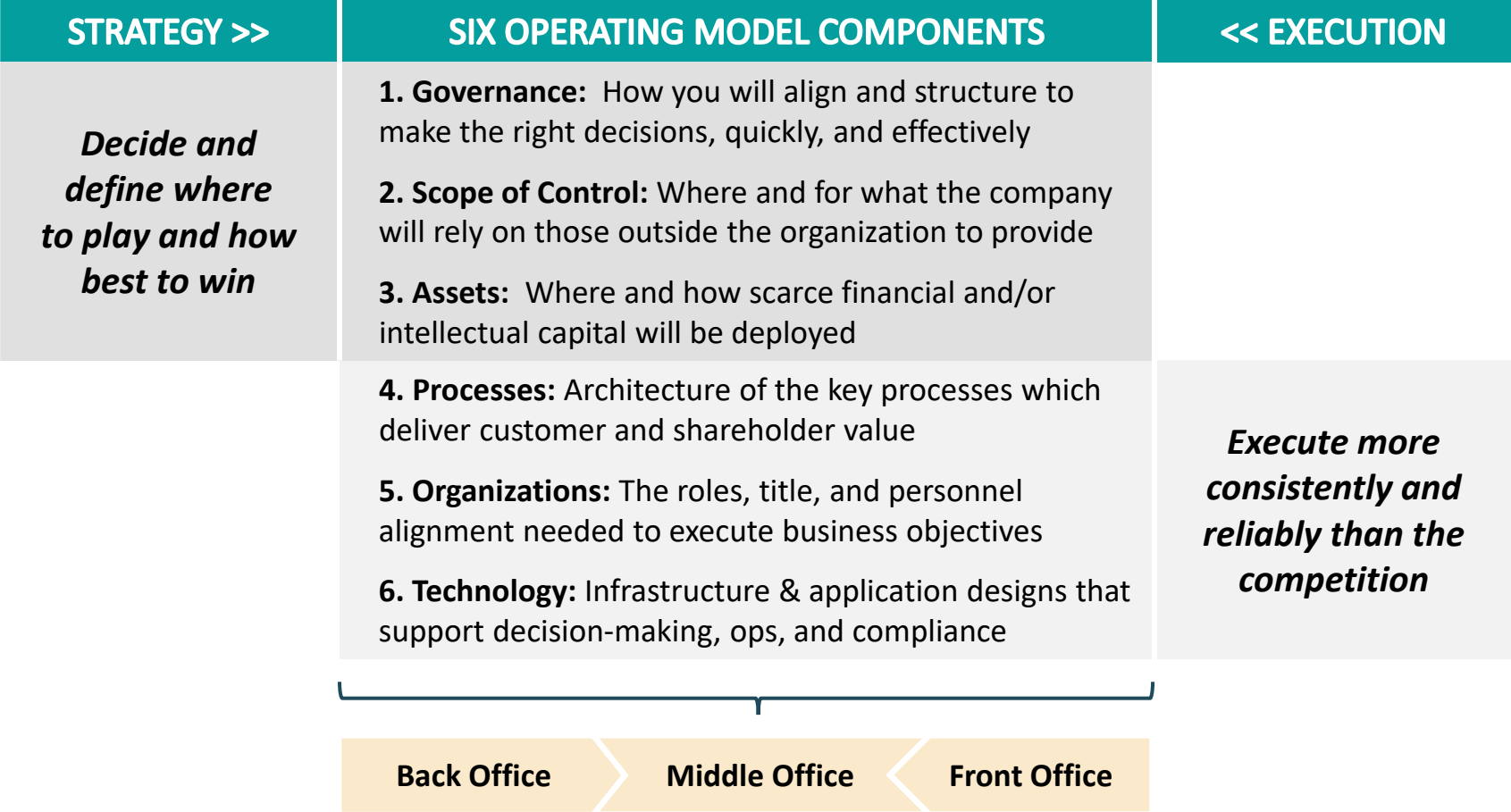
**Digitalization:** Improving decision making accuracy & speed—e.g. Link consumer trends

**Simplification:** Removing the unnecessary—e.g. Determine substitutability in product offering

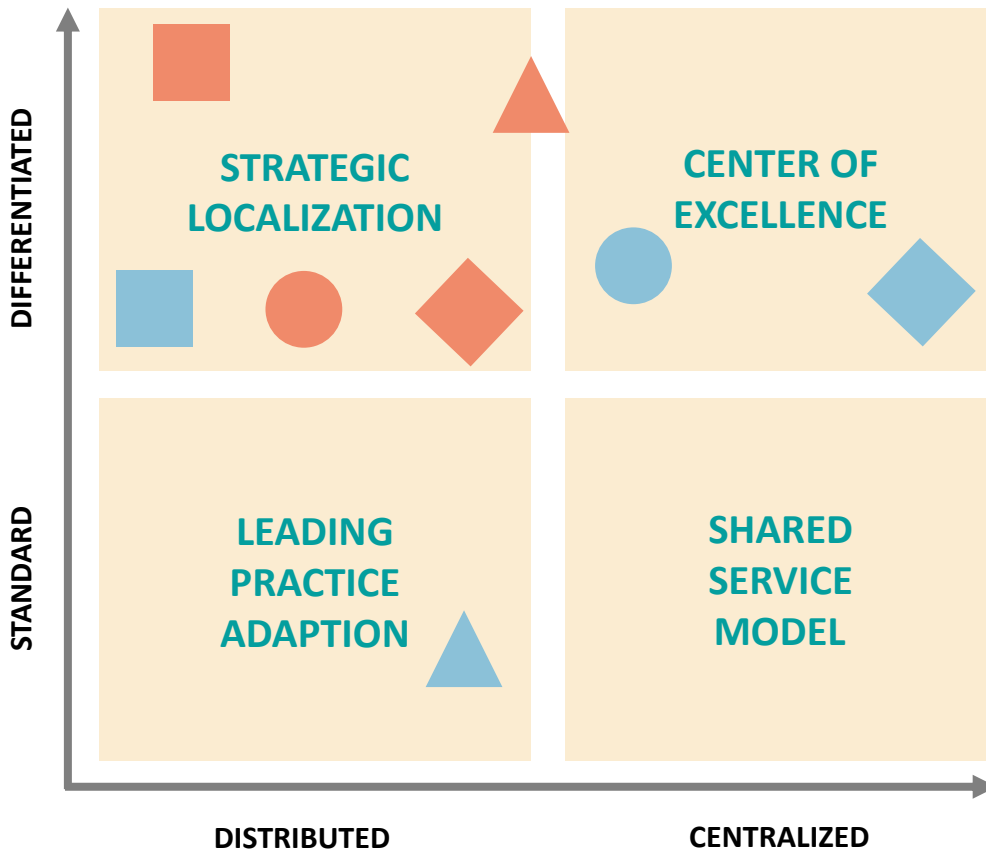


# While strategy defines the “what”, operating model details the “how”

*In the end, an operating model is not just an organization chart, it provides the foundation on which the business sits and the framework in which it operates*



# Operating model design is anchored around market and customer needs



## CONTROLLED

- Hyper localization meets rapidly changing customer needs, closing gaps btw. functions
- Centralized corp-center focus on product strategy and simplification
- Redundancy is built for resiliency/ flexibility over cost/ efficiency

## FRAGMENTED

- Wide span between many independent functions create gaps in process & comm.
- Corp-Center functions react routinely react to changing mkt. demands
- Built for cost effectiveness and efficiency

**However it is not monolithic;  
which parts of your business to centralize vs. decentralize?**

# Operating model shift unlocks big growth and profitability

## CASE EXAMPLE

*An op model shift led to reduced organizational complexity and increased process complexity yielding >25% (\$30M) EBIT improvement, in order to better serve the market*

## Situation

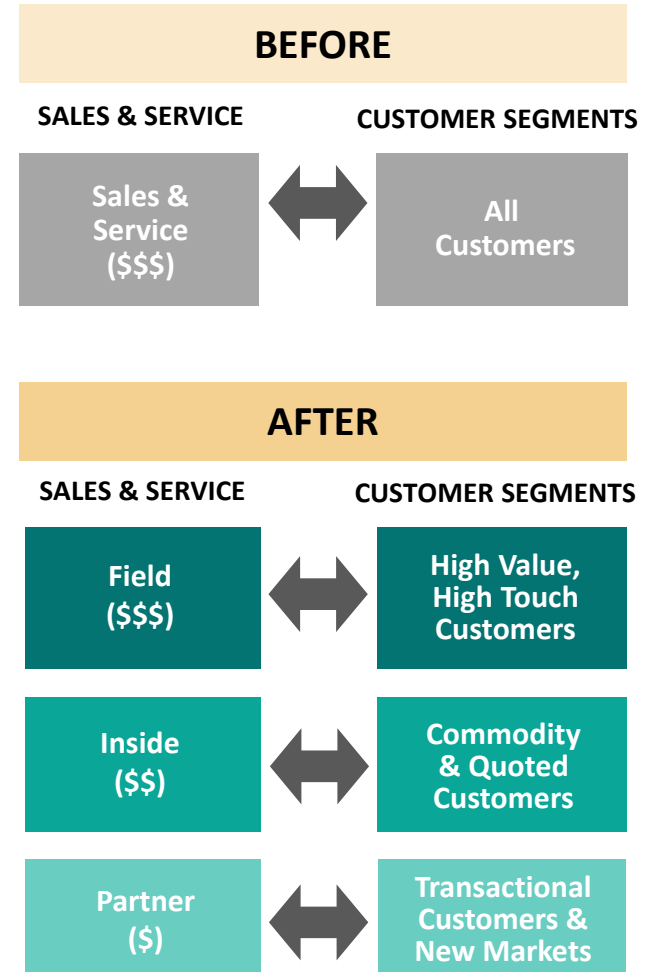
A one size fits all approach to selling and customer support led to stagnation in growth and profitability—to the point that management and PE ownership were thinking of spinning off the legacy part of the business. A better sense of profitability and available alternatives were urgently needed.

- ↓ ORGANIZATION COMPLEXITY
- ↑ PROCESS COMPLEXITY
- ↓ TRANSPARENCY & ACCOUNTABILITY
- ↙ SCALABLE GROWTH

## New Go-To-Market Approach

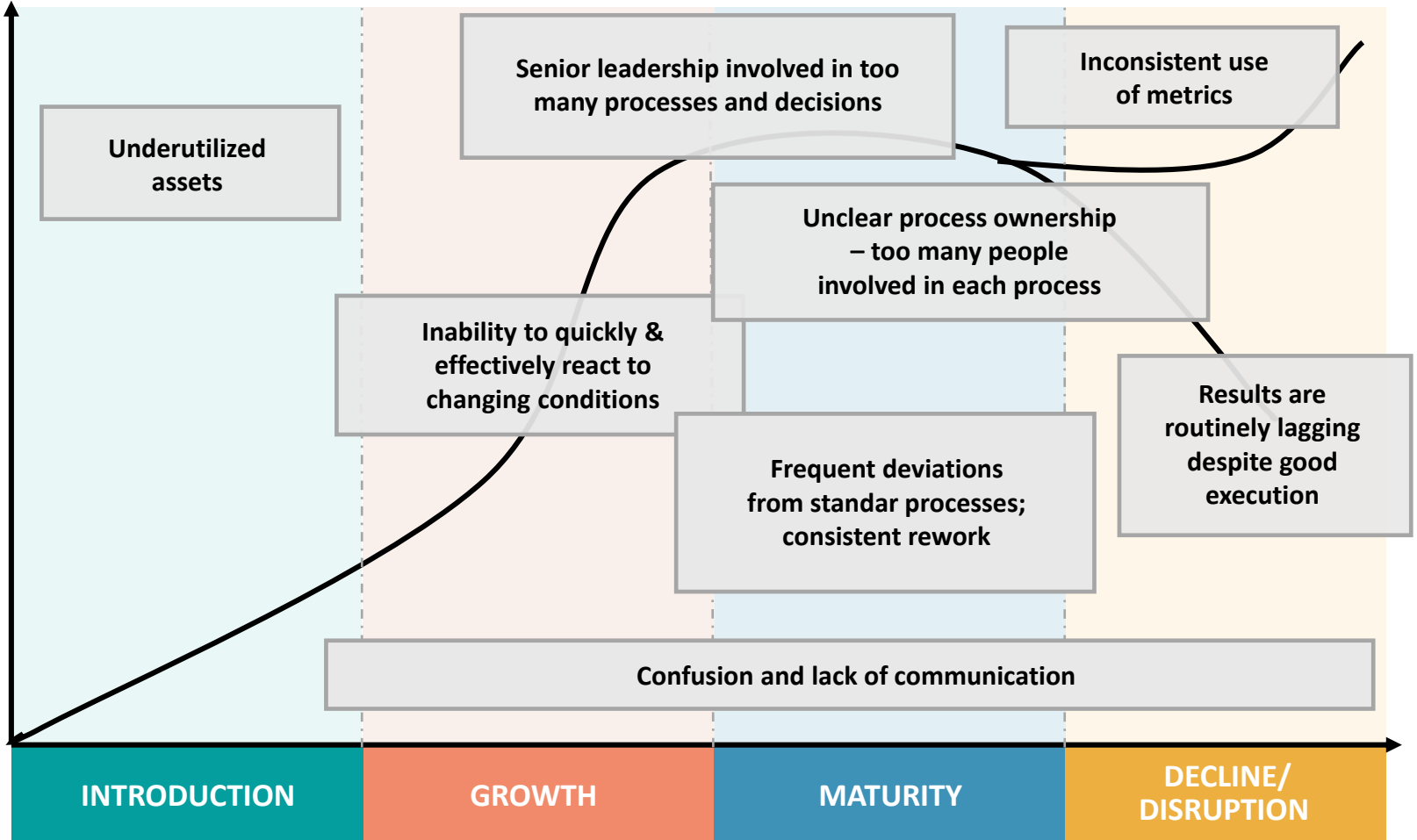
After recasting profitability, busting myths, and evaluating three alternatives in the first five weeks, our team helped change front office alignment from primarily territory to product/customer first. While adding some organizational complexity, process complexity (and focus) was significantly reduced—removing ambiguity and latency, allowing for more effective and efficient selling. Additionally, many ad hoc approaches were formalized and consolidated for distribution management and RFQs.

- ↗ ORGANIZATION COMPLEXITY
- ↓ PROCESS COMPLEXITY
- ↑ TRANSPARENCY & ACCOUNTABILITY
- ↑ SCALABLE GROWTH



# Strategy is not static, so why is your operating model?

*Operating model requirements differ across the lifecycle and forces evolve over time, but too often companies fail to make the necessary changes*





# The first step is understanding where complexity lives and how it is entrenched in your operating model

**CASE EXAMPLE**

*Helping a consumer apparel company reduce sales overhead costs by 25% and improve overall organizational effectiveness through op model simplification*

### APPROACH

#### Understand the sources of Complexity using Complexity Value Stream Mapping

- Mapped critical path activities across all functions & created value chain cost baseline
- Identified key complexity drivers and linked to key op-model components (governance/org.)


#### Define the value at stake via data analysis & modeling

- Used CVSM to identify key data analysis needs—FTE, activities, PLT, functional analysis
- Validated opportunities and identified unclear process ownership, bottlenecks, and waste

#### Redesign the Operating Model

- Identified key interrelated improvement needs
- Designed governance structure and metrics
- Developed implementation roadmap for

### NEW OP-MODEL RESULTS



<b>1</b>	<b>OFFERING SIMPLIFICATION</b> <i>\$12M-18M</i>	<ul style="list-style-type: none"><li>• Rationalize product offering globally</li><li>• Simplify pricing structure</li><li>• Restructured sales and service model</li></ul>
<b>2</b>	<b>PROCESS EFFICIENCY</b> <i>\$7M-\$10M</i>	<ul style="list-style-type: none"><li>• Optimize forecasting and order processing</li><li>• Improve complaint resolution</li><li>• Streamline customer training and onboarding</li></ul>
<b>3</b>	<b>PROCESS CLARITY</b> <i>~\$8M</i>	<ul style="list-style-type: none"><li>• Clarify category strategy</li><li>• Improve new product launch process</li><li>• Build process-focused governance</li></ul>

# External forces constantly shape the competitive landscape

## DRIVERS OF CHANGE



## Key questions to ask of your operating model

- Are **customer needs** changing and becoming more **“hyper specialized”**?
- Are **industry headwinds** changing growth trajectory?
- Is the asset base highly specialized? Can we respond to market changes quickly?
- Does the organization have a **learning culture and growth mindset**?
- Are there new government regulations that are changing how companies bring product/services to market?
- Has **disruptive innovation** changed the **competitive field**?
- Does the team have the right skills to be able to adapt to the new market reality?
- Should we be **more heavily leveraging partners to increase asset and human capital flexibility**?

# When the operating model fails to evolve with market conditions, agility and financial performance suffer

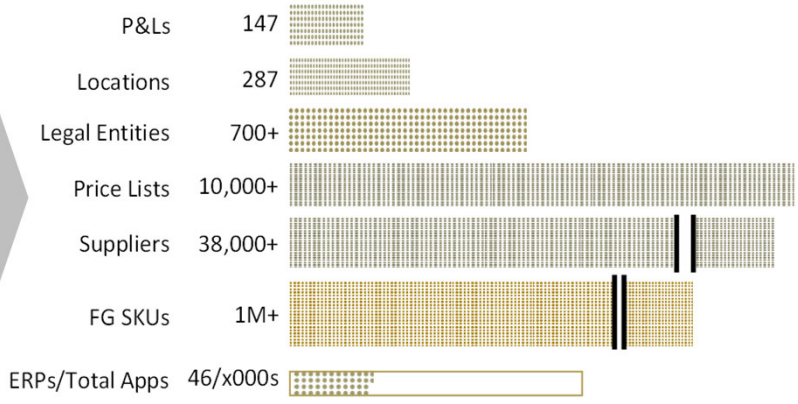
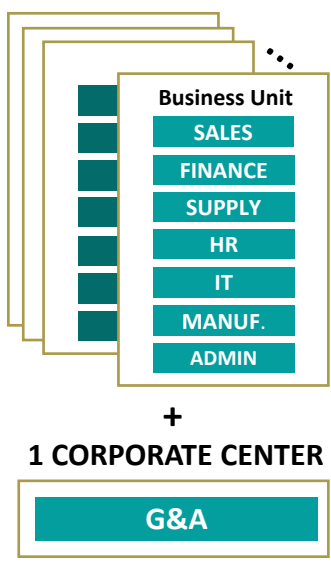
**CASE EXAMPLE**

*F500 Industrials Co can't keep pace with market cycles leading to higher SG&A and WC than peers and missed guidance for 10 of last 12 quarters*

**SITUATION**

- **Confederation of small businesses** with metrics and focus on local optimization
- Designation of global functional leadership in areas, but with **limited decision-making authority**, capital, and capacity
- Underlying organizations, processes, policies, and technologies that are still local, independent, and different
- **Complexity divides resource** (people, capital, machine) **focus**— counteracting both scale and speed
- **Inability to either scale or contract** as market forces dictate

**>100 SMALL BUSINESSES**



**Complexity kept this company frozen in its op model; for example, a change in pricing strategy would require 600 stakeholders to sign off!**

# As recent trends continue to accelerate, new requirements will be necessary across all operating model components

		LOCALIZATION	VIRTUALIZATION	DIGITALIZATION	SIMPLIFICATION
STRATEGY	<b>Governance</b>	From global/product to geographic/market	Adjust/reaffirm controls for virtual working	<i>To complete during design stage</i>	<i>To complete during design stage</i>
	<b>Scope of Control</b>	Need for greater control of supply base	<i>To complete during design stage</i>	Tech partners (e.g. Cloud) provide agility and variable costs	Consider Make vs. Buy decisions based on profitability
	<b>Assets</b>	Distributed and/or more redundant		Refocus on the core product/service offering	
EXECUTION	<b>Process</b>	From standardized to harmonized	<i>To complete during design stage</i>	<i>To complete during design stage</i>	From reactive to proactive (e.g. reduce exceptions)
	<b>Organization</b>	<i>To complete during design stage</i>			Virtual Workforce
	<b>Technology</b>	<i>To complete during design stage</i>	Distributed and/or more redundant	Automation (e.g. ML/RPA/AI) of key processes/roles	Microservices

**Mapping emerging and accelerating trends impact on each component of the operating model is key to fit-for-purpose op model design**

Note: These examples do not present an exhaustive list; WP&C will help you define the right needs for your operating model

# Adapting to new uncertainties requires a deliberate approach and strong change management capabilities

## KEYS FOR SUCCESS

**BUILD CHANGE MANAGEMENT "MUSCLE"**

Strategic flexibility and agility will become an evermore important competitive differentiator. **Those that are prepared to rapidly scale and contract their operating model will have a considerable advantage.**

**CREATE REDUNDANCY IN THE DESIGN**

Balance the risks and rewards across dimensions. **Operating model decisions require trade-offs** across autonomy and control as well as customization and standardization. **If conditions require a highly geographically dispersed function, build governance and process rigor to maintain level of control.**

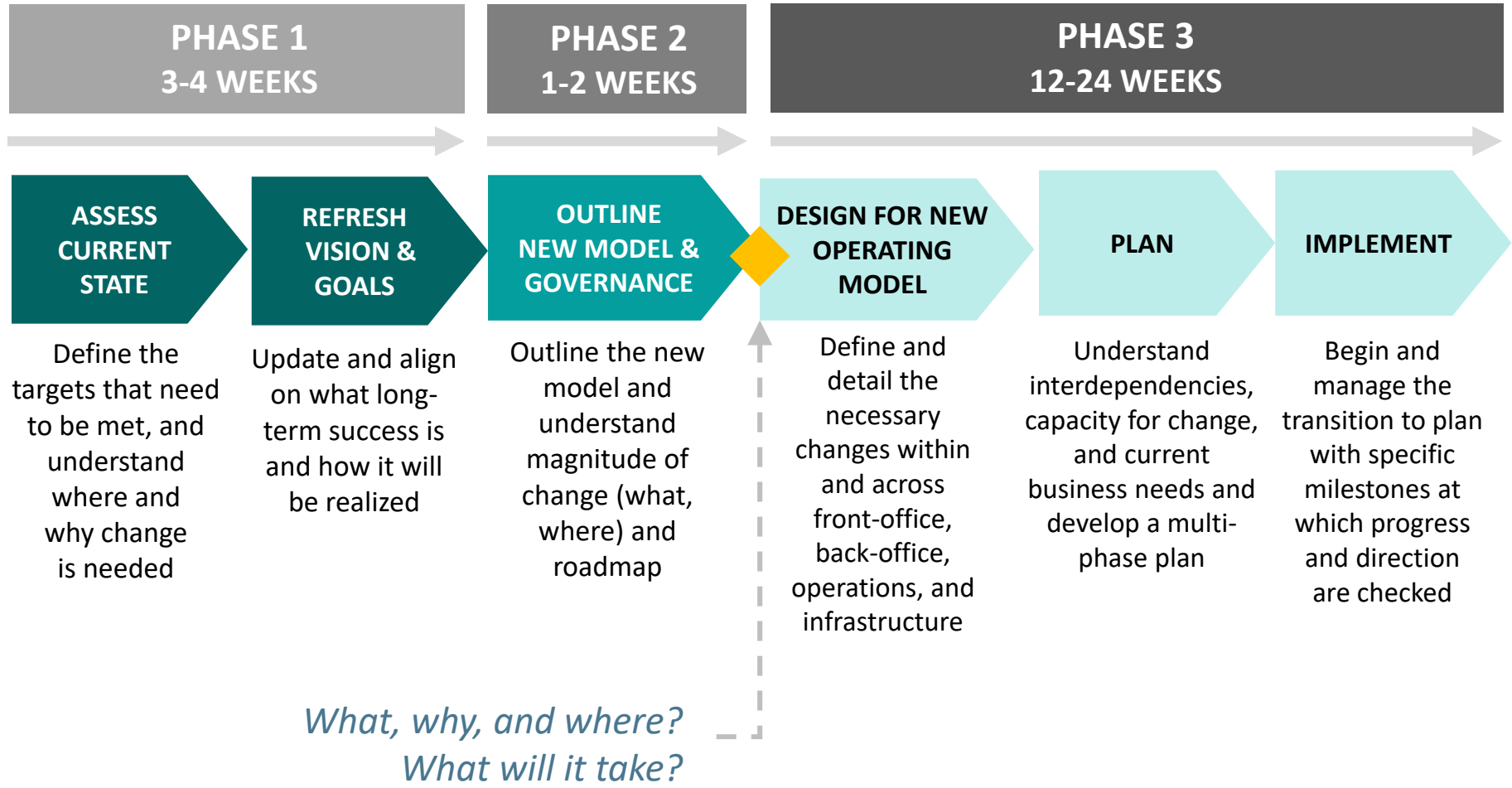
**INTEGRATE TECHNOLOGY TO SUPPORT GOALS**

As market forces and uncertainty require flexibility and the movement of many business operations (especially front office) away from corporate, **enhancing technology platforms to increase speed and accuracy of decision making will be critical** to short-term and long-term efforts.

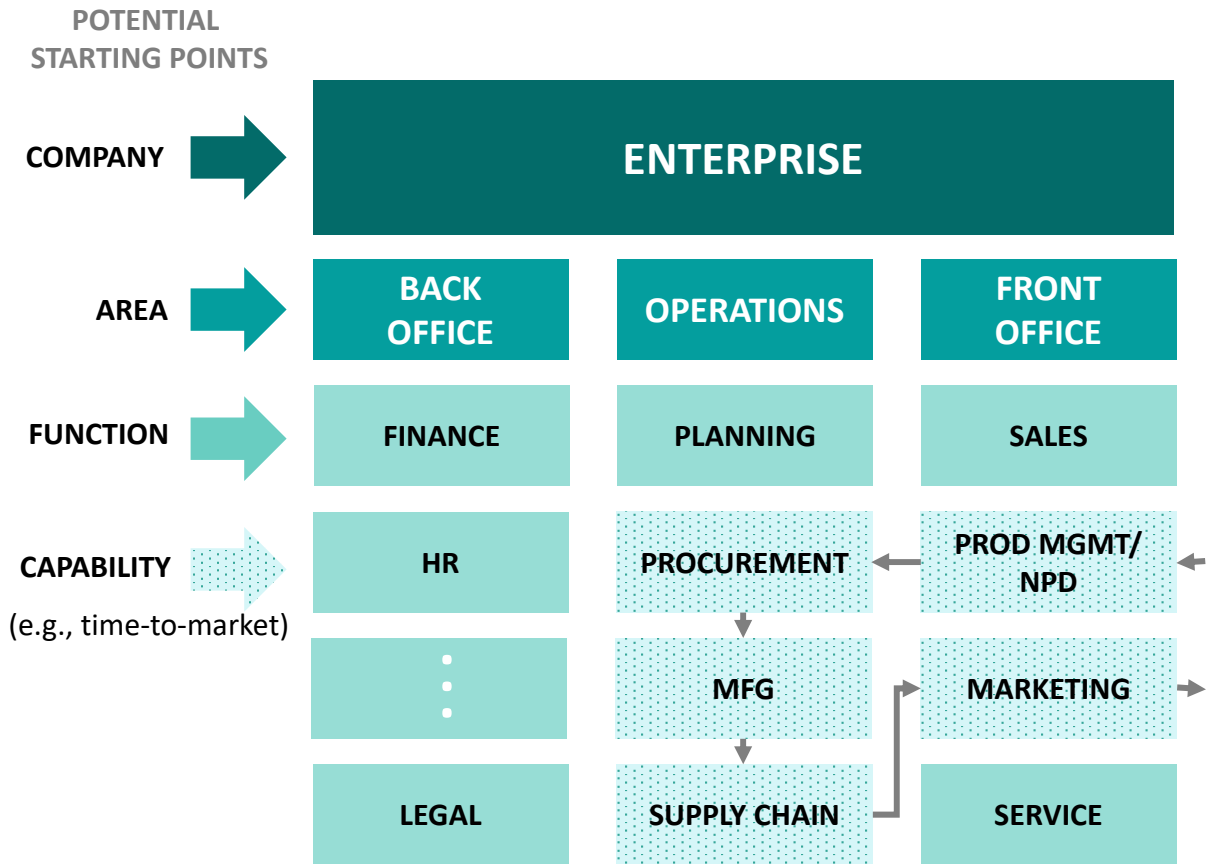
**LEADERSHIP ADVOCACY & ORG. ALIGNMENT**

Organizational alignment and leadership are increasingly important in what appears to be continuing uncertainty for the foreseeable future. **Change is difficult, even in the best of times. Having clear alignment, from the top all the way down,** will ensure faster decisions and facilitate better overall change management.

# We recommend a 3-phase approach to put the right operating model in place



# However, operating model transformation is not an all-or-nothing exercise...



## EXAMPLE ACTIONS

Complete redesign of process, governance, assets, etc.

Centralize core back office & outsource standard process/RPA

Sales force realignment, decentralizing procurement to local markets, etc.

Partnership with 3PL for faster/cheap logistics, manufacturing footprint redesign, etc.

**Given your capabilities most likely define your success, focusing on them first is good place to start!**

# ...Function and capability level redesign can improve competitiveness, agility, and bottom-line results

## CASE EXAMPLE

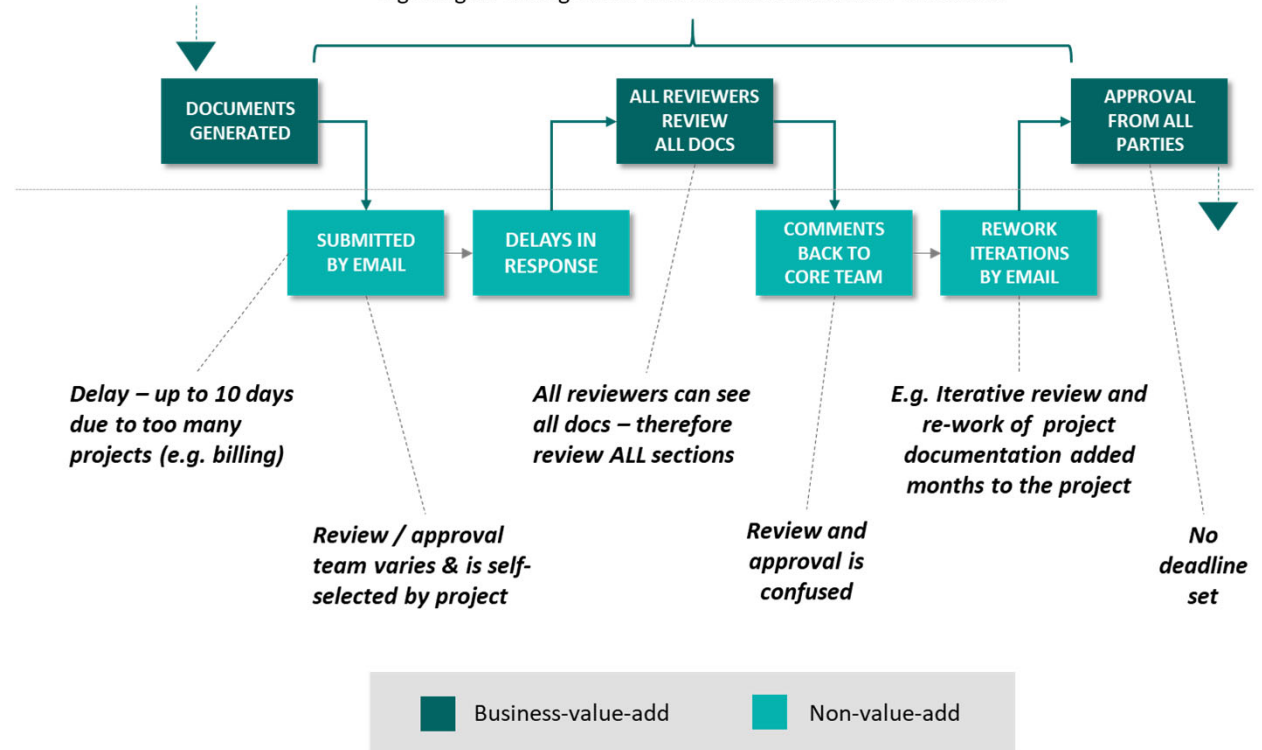
*FTSE 250 Telco's slow decision making & unwieldy process slows innovation efficiency and effectiveness; Redesign yields 2x increase in throughput*

### SITUATION

- **Lack of cost accountability** for use of innovation resources leading to large pipeline and project backlogs
- **Limited prioritization & poor governance** spreads resources thin, slowing speed to market
- **Suboptimal process efficiency** driven by significant NVA steps
- Project variation adds additional complications making **resource planning difficult, leading to over/under staffing**
- Redesigned NPD process to reduce non-value-added steps, and implemented WIP cap **increasing innovation throughput by 2x**
- **Built design thinking principles into the early stages of process** to encourage rapid ideation, evaluation, and development of ideas

### EXAMPLE STAGE GATE APPROVAL PROCESS

E.g. Stage 2 average time in review and rework: 1 -2 months





# A few options to get started



## WORKSHOP

Interactive half or full day workshop for executive leadership to align on operating model issues and paths forward

APPROXIMATE SCOPE  
1 – 2 DAYS



Summary report of the **core issues identified** by leadership, and **prioritization of next steps**



## DIAGNOSTIC

Focused diagnostic to diagnose operating model misalignment, and quantify the size of the prize to address

APPROXIMATE SCOPE  
3 – 6 WEEKS



Detailed report on **health of operating model**, and expected **benefit of prioritized redesign**



## OPTIMIZATION/REDESIGN

Full operating model assessment, deep dive into key issues, and redesign of target opportunities with implementation plan

APPROXIMATE SCOPE  
3 – 6 MONTHS



**Redesign, implementation plan, and tracking metrics** for agreed operating model improvements



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## **CONTACT US**

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## **CASE STUDIES**

Complexity Costs

Operating Models - A Dedicated Resourcing Model Drives Staffing Efficiency

Operating Model Assessment

## **RESOURCES**

3 Critical Levers to Navigate Through COVID-19

Next-Level Cost Reductions

Getting Go-To-Market Strategy Alignment Right