

The operating model's contribution to enterprise performance

ENTERPRISE PERFORMANCE ESSAY #4

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Looking beyond periodic redesign to recognise how operating arrangements shape performance

Operating models do not change only through formal redesign. They also evolve through everyday organisational decisions. A new specialist team, a shift in accountability or the introduction of technology can change how work is performed and how capabilities connect across the enterprise.

These changes are often sensible responses to the needs of the business. But while each may be considered carefully in its own right, their combined effect on the operating model may receive less attention.

An operating model can be continually changing without its evolution being deliberately considered as a whole.

The operating model as a lens on performance

Leaders routinely examine results, risks, resources and opportunities for improvement. Yet managing performance through an operating model is not the same as understanding how the operating model itself shapes performance.

The opportunity is to consider how capabilities, accountabilities and decisions are arranged as another influence on enterprise performance, alongside the other factors leaders already examine.

Recognising value that established arrangements may conceal

An operating model can be effective at delivering what it was designed to achieve while offering opportunities to create greater value.

Consider a global organisation whose technology platform enables smaller markets to benefit from advanced capabilities developed in its largest market. Meanwhile, another market develops innovations in its online offering that could also benefit others. Are the arrangements for identifying, evaluating and sharing capabilities equally effective in both directions?

An operating model may be effective at sharing established capabilities across an enterprise, while leaving opportunities to recognise and extend emerging capabilities less visible.

When organisational evolution changes accountabilities

Consider an established logistics organisation in which a specialist team assumes activities previously managed by a central logistics function. Other responsibilities also move as the business develops, but the original function remains in place.

Internal and external parties eventually begin receiving conflicting instructions from the newer areas of responsibility and the original function. The confusion escalates, prompting a review.

Examination reveals that the original function no longer holds the distinct accountabilities that justified its purpose.

The changes were reasonable responses to evolving needs, but their combined effect on the wider operating model was not reconsidered until the consequences became disruptive.

Bringing operating model thinking into everyday decisions

Executive leaders remain accountable for the effectiveness of their organisation. Considering the operating model's contribution to enterprise performance can strengthen the decisions they make about improvement.

Recurring coordination difficulties may warrant examination of decision rights rather than another effort to improve communication. An emerging capability may prompt consideration of how it could be applied elsewhere. Changes in technology or responsibilities may raise questions about whether established activities continue to make the same contribution.

Artificial intelligence makes this continuing attention particularly important. As AI becomes embedded in everyday work, it can change where expertise is applied, how responsibilities are exercised and how decisions are made—sometimes without any formal redesign. These changes may create opportunities to connect capabilities differently or introduce new dependencies and unclear accountabilities. Their contribution to enterprise performance deserves deliberate examination, rather than being assumed from the benefits of individual applications.

Leaders can investigate these possibilities by examining how work actually happens, developing and testing hypotheses, and drawing on the expertise needed to understand the wider implications.

The resulting decision may be to clarify accountabilities, connect capabilities differently, redirect resources, change how decisions are made or confirm that existing arrangements remain appropriate.

Where changes are made, leaders should examine both their intended and unintended consequences, testing the results against the improvement sought. Understanding what worked, what did not and why allows the organisation to learn from its decisions and make better ones in the future.

Maintaining focus on the operating model's contribution to enterprise performance allows leaders to recognise when established arrangements deserve reconsideration, where existing capabilities could create greater value and whether changes have delivered the improvements intended.

If operating model design is important enough to warrant deliberate attention when strategy changes, why would it be any less important to the continuing improvement of enterprise performance?

ABOUT THE AUTHOR

Melanie Lisboa is an enterprise performance executive whose work focuses on how strategy, operating models, leadership, capability and execution combine to create value. Through Valde Enterprise Performance, she helps organisations develop the enduring capability to understand and deliberately improve how enterprise value is created.

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RELATED THINKING

The argument presented in this essay reflects practical experience examining how operating arrangements influence enterprise performance. Established research on organisation design, continuous organisational change and dynamic capabilities explores related principles.

- **David A. Nadler and Michael L. Tushman (1997)** — *Competing by Design: The Power of Organizational Architecture*.
- **Karl E. Weick and Robert E. Quinn (1999)** — *Organizational Change and Development*. *Annual Review of Psychology*, 50, 361–386.
- **David J. Teece (2007)** — *Explicating Dynamic Capabilities: The Nature and Microfoundations of (Sustainable) Enterprise Performance*. *Strategic Management Journal*, 28(13), 1319–1350.

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