Postcards from the Edge of GBS: Operating Models

Every GBS organization needs me, only some have me, and others ignore me. What am I?

This post starts a third series of postcards from the edge of GBS. I am going to be ambitious and tackle something complex. It's something that every GBS needs, but not all are clear about, and there are many opinions on what it should look like. I am talking about an agreed and written down operating model.

I have helped design many operating models for GBS organizations. Some of them were effective, others not, and this series explores techniques for building operating models that become the way of working rather than shelf-ware. As before, my focus is on lessons learned from the front line and tools you can use.

Oh, and I am sorry that I took a pause in these postcards at the start of 2024, I have been consulting, working on designing operating models for some GBS organizations which got in the way of finishing this batch of posts! I intend to keep the column going, so please bear with me.

Tim Palmer

What do I mean by operating model?

I define an operating model as the agreement, writing down, and following, of the way the GBS organization works. That is the way GBS:

1. Adds value to the enterprise
2. Works within the business
3. Manages its delivery network
4. Works with service providers
5. Delivers leading-edge services.

You could argue that you have an operating model, whether or not you have consciously developed it and know what it is, but I will talk about the operating model as a documented, discussed, and bought into way of working.

Those of you that read the SSON site, will know that there is not one GBS operating model size that fits all; far from it! Nor is there a natural progression through phases of development of a GBS. As we go through the series, I think you'll see that there are many ways to work, and it is important that the content and level of detail matches the ambition and maturity of the organization.
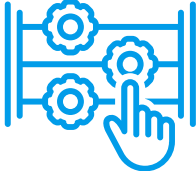
Why have an operating model?

The reason for having a documented operating model is to get people into a better and more aligned way of working, improving the outcome and reducing the cost. Therefore, this must be a document that people discuss, understand and share. It is pointless having

something that is understood only in the room where it is put together, or by the person that wrote it.

The Purpose of an Operating Model at Different Stages of Development of a GBS

GBS is being set up	As a GBS matures	During a phase change
(At the beginning, when there is high ambiguity within the model)	(1+ years in, as people get comfortable with the model)	(Typically triggered by significant business strategy changes)
Design	Refine	Pivot
Provide a target model, something to move towards.	To refine the way that people work together.	To reset the team in the new direction.
To design the new organization.	To reduce waste and duplication.	To stretch thinking.
To identify key processes that need development.	To tackle systematic issues.	To refine the motivation systems (e.g. adjust guiding KPIs).
To land decisions and take them off the table once agreed, to allow people to move on.	To provide room for experimentation.	To increase GBS connectivity to the rest of the business
	To provide guidance to the whole team on how to work and behave.	

I have seen successful use of operating models in each of these three situations, but a key lesson has been that the level of detail in the model changes as the organization matures. One of the biggest mistakes I have made is trying to be too specific too early. For example, it is inevitable that a well run GBS organization will need a sophisticated approach to the use of KPIs, but at the start you probably only need the intent and framework, the detail of which KPIs, and how exactly they are measured, can come later.

Why is it hard to do well?

Despite its importance, the agreement of an operating model can be hard to do well. A few barriers to consider:

Despite its importance, the agreement of an operating model can be hard to do well. A few barriers to consider:

1. **Some people think it is about creating an organization chart, and once that is done, work is over.** An operating model is much more than that, which is why I advocate making it a living written agreement, regularly reviewed and updated at the GBS LT.
2. **It is possible to operate effectively without the model being documented.** The imperative to do it well is not always there, especially during early days.
3. **It requires the Head of GBS to value it.** Unless the GBS Head makes its development and use (i.e. abiding by the agreements) essential to the leadership team, it will not be effective.
4. **There is no standard format or path to take.** There are many ways to express a GBS operating model, and many ways to get there. Designers have different approaches, and a technical approach preferred by consultants may not always be what is valued on the ground.
5. **It must be rolled-out and explained to stakeholders.** This needs to be done as part of the broader GBS change effort.

So how to go about it?

Step 1: Do your research
Talk to people – Go to shared service conferences and more intimate working sessions, like round tables and the SSON GBS Exchange. You will get a lot of clues about what to include and what to avoid.
Read widely – This SSON site has so much content that is worth dipping into. For example, I recently found inspiring pieces by (my former colleagues) Bob Cecil, on Generative AI, and Robert Weltevreden, on design thinking in GBS. I have also found thought pieces by Deloitte and EY particularly interesting.

Step 2: Consider getting independent help to drive the initial design
Ideally this would be someone that is:
1. Not part of the GBS organization. You need someone independent, because some of the discussions are difficult to have if they are driven wholly by people within the team. You need someone without skin in the game to arbitrate between leaders.
2. Experienced in operating model design. You need this experience, because you need to move fast; there is little patience for theoretical discussions or going down blind alleys. The person needs to be able to take the GBS team with them.

In most cases I have worked in, this is achieved by having an experienced consultant working with a senior organization design person from the HR department. Once the model is defined, ownership of the operating model should be transferred to someone in the GBS leadership team, so it is kept alive and used in the long-term.

Step 3 (optional): Make a pragmatic design.

The most pragmatic way to get started with an operating model, is to work out what operating questions you have, and agree how to resolve them. Here are 10 questions to get you going.

1. Do you operate a managed service, hosted model, both, or something else, and what does it mean?
2. What is your approach to defining and onboarding services?
3. Which roles and teams have accountability for driving service and experience design?
4. How does your model enable GPOs, and how do you drive continuous improvement?
5. How do you ensure that GBS is truly connected to the business and functional priorities?
6. How is the relationship with IT managed so that it supports the GBS mission?
7. What are the reporting lines of the people in your capability centers, and why?
8. To what extent is your GBS team self-aware, and do they self-heal when things go wrong?
9. What are the capabilities that you need, and will any become capabilities as a service?
10. How do you plan for future capabilities, and specifically at the moment, what is your approach to building in AI to your toolset?

If you can write down and agree the answer to these as a GBS LT, you have the first outline of an operating model. If you do it well, you will find your colleagues referencing back to the agreements and asking to build off them in the future, to resolve further operating questions. When I said earlier that one of my mistakes was trying to get too specific too early, this technique has served me well as an alternative, to help get people on board with the concepts, without having to go through a more structured design.

Step 4: Design a detailed capability structure.

Of course, a structured design helps too. A textbook way to do this is to start with the GBS value chain and understand your required capabilities. You might come up with a conceptual capability framework like this.

Strategy & Operations	Service Development	Service Control	Service Delivery	Business Partner Capabilities
Manage center ecosystem	Design services and manage onboarding	Manage service quality	Manage services	Manage financials
Manage account relationships	Automate processes	Manage continuous improvement	Deliver services	Manage IT support for GBS
Manage GBS strategy	Manage transformation	Manage project portfolio	Manage supplier	Manage organization and footprint

I argue that a GBS organization needs to have an approach to each of these capabilities. You can use these to create a well-founded operating model, and ultimately an organization design based on coherent logic. In a future column I will break down these capabilities further and look at some of the options for assembling them into an organization.

I have used this approach several times as a consultant. It has worked well, my clients have liked the certainty that it brought, giving them and their team "a place to stand in". When I've used it internally, with peers, it has sometimes missed the mark, because it can seem too theoretical for operators, especially at first. So, it's a balancing act to get it right.

Step 5: Stack hands

Once you have your agreements written down – using either or both of steps 3 and 4, take the time to review and agree at an LT. There may be a hope that this is done one in a one-hour meeting, but my experience is that the act of agreement – of stacking hands and committing to the approaches – opens further questions to resolve. Therefore, it can take several meetings (in one recent case it was six one-hour meetings over a three-month period, and a half day offsite). But once done, everyone has been heard, you have worked the issues, and you can truly say that you have alignment

Step 6: Tell people about it

There's no point spending all this time on the agreement if you do not actually use it. So, share it with the team, use it in induction events, discuss elements in town halls. A written operating model can be a pretty dry thing, so break it into bite sized chunks and use it as content for communications and compelling 'teaching moments' for the team and customers, alike.

Step 7: Keep it up to date

In a GBS I was part of, we updated our operating model on average every 18 months. We collected issues that we were facing in the field and went through a process to discuss and resolve them. Key to getting this to happen was having a member of the GBS LT accountable for the maintenance of the model (me!), and an agreed approach where all changes were made under the stacked hands of the LT. In this way, the operating model was kept alive, and deeply engrained in the working of the GBS organization.

How do you know if you need to do this?

Is the action set out here relevant for you? If you are reading this as a member of a leadership team in a GBS, look in the mirror and ask yourselves:

1. Can you articulate your GBS operating model? – I imagine that most of you would say yes.
2. Would the colleagues on your leadership team say the same things as you? Where would you disagree, and why are you not aligned?

3.When was the last time you discussed it together and updated it?

4. Could your teams explain the basics of the operating model, the why, the what, and how it effects their daily work?

5. Do your business colleagues and other stakeholders understand their part in the operating model?

I imagine most of you would start to struggle somewhere between the second and third question. That gives you a clue that there is probably value in doing some work on the areas where you most trip up.

Thanks for reading this first post in my third postcard series. In this series, we will continue to discuss practical edgy techniques from the front line of GBS practice. As before, I would really appreciate your comment, feedback, and questions as we go through, to help me hit the right notes and the things you are thinking about.

Tim Palmer, Basel, May 2024