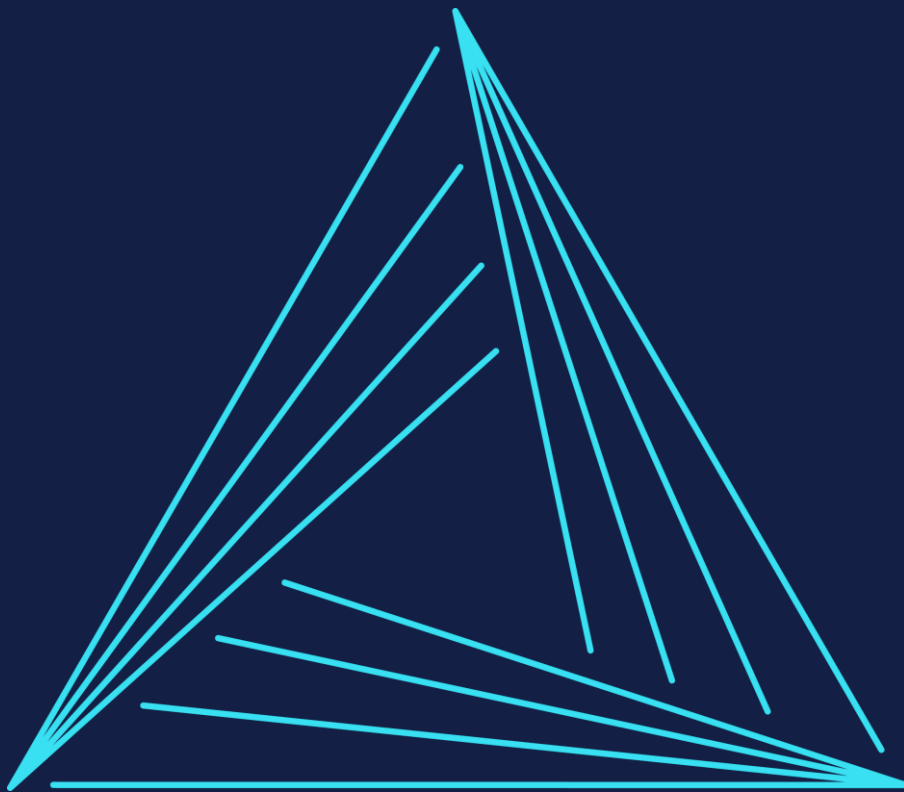


How aligned are you with your customers' needs?

Transforming to a product-based technology operating model

Increasingly, organisations are looking to product-based operating models to better align technology delivery with business functions and meet demanding customer needs, but many fail to achieve the desired outcomes. This paper looks at the opportunities and challenges presented by the new model and discusses the areas that must be addressed if the full potential of the change is to be realised.



MOZΔIC

The product-based operating model

Traditionally, IT and Digital projects had a limited lifetime, with clear endpoints when newly developed capabilities were handed to Operations to manage and run. In today's digital age this is no longer the case, digital capabilities must be continually iterated and improved to meet customer needs and outperform competitors' offerings. Today, the lifetime of a digital service "project" is from discovery to retirement, with a relentless focus on customer needs throughout.

Successful delivery of digital services requires organisations to look beyond single transactions towards longer term customer experiences and relationships, using detailed analytical insights to understand behaviours and needs. To meet this challenge, organisations are increasingly looking to become product focused, embracing product-based technology operating models to support the change.

Unfortunately, many organisations that have embarked on the transformation journey have struggled; some because their learnings have come from product companies (e.g. Spotify) rather than complex enterprises with challenges similar to their own; others, simply through a lack of experience and relevant capability.

As recognised experts in operating model transformation, Mozaic Consultants have deep experience in implementing and configuring product-based models. Through our work we have recognised three key concerns that are critical to success:

- 01** The model itself, which should balance the need for customer focus with organisational and operational needs.
- 02** The transformation approach, which must empower teams to learn and adapt, and cannot be imposed top down.
- 03** Removal of friction from processes. A product focused model may further exacerbate existing organisational silos, which in turn leads to significant waste. Appropriate tooling should be used to automate enterprise-wide processes.

With a flexible and future-proof way of working offered by a product-based operating model, we believe this could be the last major operating model change an organisation will ever need to make. It is therefore essential to get it right.

An operating model fit for your enterprise

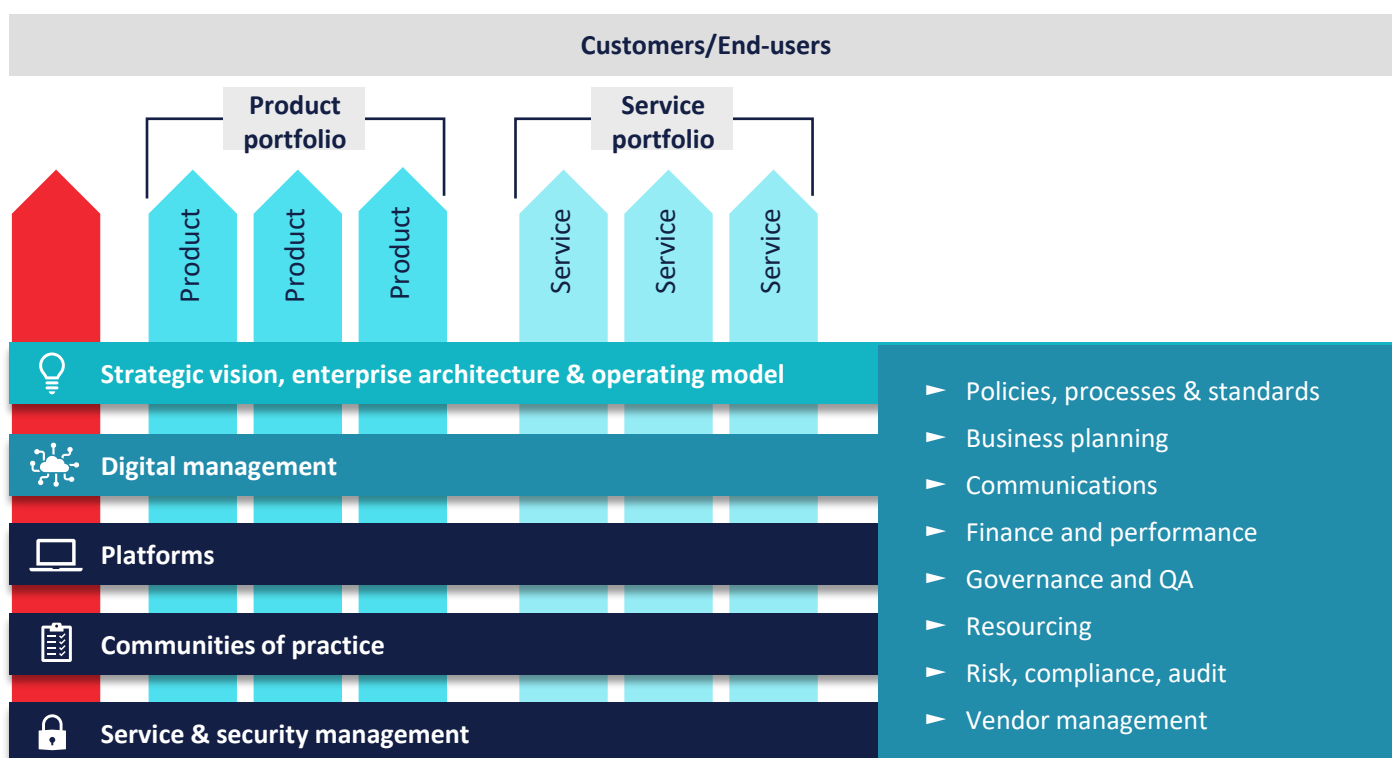
A product-based operating model is centred on teams delivering value for their customers, be those internal (in the context of enabling services) or external, whilst balancing the demands of the enterprise for strategic alignment (e.g., architecture), platform, security, service management and people excellence (allowing individuals to thrive and develop their careers).

As we will see later, it is essential that any operating model is dynamic, and can adapt to ever changing business needs, however, when transforming your enterprise to a product-based model, it is hugely beneficial to start from a tested, proven foundation.

Importantly, the model must address a number of key questions, including:

- ▶ How do you measure success?
- ▶ How do you shape the work to be delivered and maximise return on investment?
- ▶ What are the skills and attributes you need? How do you develop these?
- ▶ How do the product teams align with product management?
- ▶ How do the product teams integrate with organisational capabilities?
- ▶ What are the tooling enablers?

EXAMPLE DIGITAL OPERATING MODEL TEMPLATE



An operating model fit for your enterprise

KEY ELEMENTS OF THE DIGITAL OPERATING MODEL

- ▶ Measure, define and codify value delivery across the enterprise
- ▶ Product teams are tasked with delivering an outcome (e.g. sign on new customers or cross-sell across existing base)
- ▶ Service teams support the product activity (e.g. a CRM), but are also delivering an outcome as a result
- ▶ Digital management is the function that ensures Platforms work effectively, also managing third parties, costs, performance, policies, processes and governance
- ▶ Various categories of Platforms provide enterprise-wide capabilities (e.g. cloud, tooling, service management, etc.)

EFFICIENCY AND VELOCITY ACROSS THE ENTERPRISE BY IMPLEMENTING BEST-IN-CLASS OPERATING MODEL

- ▶ Mozaic implements agility and a "product first" mindset within teams across the organisation, enabling them to work towards an intended overarching result in an independent fashion
- ▶ People are allowed to take ownership of the value of their end-users, and are given the autonomy to work in an experimental way, quickly try new things and demonstrate value

▶ CASE STUDY – ROLLS-ROYCE

As a global, yet federated IT function, Rolls-Royce faced three key challenges, it was unable to: respond to business needs quickly, flex the delivery model to meet the different regional and divisional requirements, and govern and deliver change in an agile way.

Working in partnership with the Rolls-Royce team, Mozaic designed a new product-based operating model, and developed the case for change and the roadmap for delivery. We transformed IT delivery across the globe (including their suppliers), putting agility and innovation at the heart of the new ways of working.

Together, we delivered standardised approach to product delivery, which focused on delivering relevant services to each part of the organisation, realising over 20% cost savings whilst significantly improving change performance and agility.

Characteristics of a successful product-based model

A product-based model is characterised by the following capabilities:

CLEAR PRODUCT STRATEGY

At the highest level, your organisation must have a defined product strategy, which clearly articulates its portfolio, recognising the products that drive value to the customer and those that enable internal users (its services). This strategy must be effectively communicated and managed.

Ideally the product strategy should clearly describe the customers and their needs, and the value the product is aiming to deliver. Importantly, the strategy should set out the criteria for success in both objective (e.g. revenue) and subjective measures.

In addition, the strategy should set a clear vision for the budget of each product and the expected P&L of those that generate revenue. In this way investment decisions can be articulated and understood, and product performance governed.

GOVERNANCE AND CONTROL

Although governance should be simplified in a product-based model, it should not be ignored. The task of ensuring maximum return from any investment should fall to the product teams, given they are the ones with the domain expertise and the customer insight, but the investment decisions and the understanding of risk must remain at board level. It is therefore essential that reporting processes provide the detail and insight they need to make informed decisions

STABLE AND DEDICATED TEAMS

Product teams (and Service teams for internal users) are multi-disciplinary, permanent teams that work collaboratively to understand and deliver a flow of work to achieve outcomes focused on customer needs.

The stability of the teams is important in several ways: it facilitates the development of domain expertise, supports innovation and ensures clarity of focus on strategic business goals. No longer are individuals allocated to multiple projects and forced to make important, time-based, prioritisation decisions themselves.

These product teams are relatively small and connected via common capabilities, and ideally, they should have a fixed budget, which can be measured against the value they derive. Governance controls are thus simplified to enable team empowerment.

ENTERPRISE-WIDE CAPABILITIES

The ultimate success of each product unit is dependent upon its ability to meet its customer needs and integrate within the wider IT organisation. This is where many attempts fail.

Appropriately integrated, cross-cutting concerns such as platform and service, enterprise architecture and digital management are essential to long-term success. Each will need to adapt to the new ways of working: Enterprise Architecture for example may become a facilitative service provider to the teams, rather than a controlling body as may have previously been the case; digital management will concern itself with clearing the path for optimal delivery.

Transformation through empowered teams

The required changes to mindset and ways of working in this model are so fundamental that attempting to enforce a pre-defined target state will rarely land effectively. These changes can neither be taught in a classroom nor dictated by a set of diagrams. To avoid organisational rejection, teams should be given ownership of the design, allowing them to experiment, learn and iteratively build their new ways of working.

Our experience has led us to challenge the traditional prescriptive corporate blueprint and turn it on its head, advocating a different way of establishing a new model. We have worked with business and technology leaders to enable their teams to follow intentionally iterative approaches; moving away from following pre-defined blueprints to create continuously evolving playbooks that are dynamic by design.

We have found that those who have attempted to implement a detailed design and set of blueprints, based on a point in time assessment, typically struggled to “land” the change. This approach leaves little room for long term flexibility and limits the organisation to a static reference asset that soon becomes dated and no longer relevant to the evolving business. In our experience, implementation works best when time is invested to develop an approach bespoke to the organisation, in a way that is dynamic by design, to achieve cultural acceptance and set the teams up for long term success.

As such, Mozaic recommends that leaders decline to build detailed blueprints for implementation in favour of empowering teams to take ownership of the rollout. Once core principles are established (previous section), they can then iterate, experiment and learn along the way.

Below are the main considerations for success:



LEADERS SET THE TONE FROM THE OUTSET

Without active advocacy from leadership, product model transformations are likely to fail.

Leaders should clearly articulate the reason for change; and “we want a product-based operating model” is not a reason. Organising by product is an excellent opportunity to empower teams and give them responsibility, but they can only take ownership if they fully understand what they are expected to achieve, and how they connect with the wider organisation to achieve this.

We recommend organisations take a people-centric approach, acknowledging what is being asked of the team, how it will feel for them, and most importantly giving clear permission to experiment and learn fast. For example, reporting and governance information will not initially be in place as before; recognising that this is acceptable at the start, given the focus of the transformation is a key factor.

Transformation through empowered teams

Throughout the journey, provide collaborative and active coaching opportunities, fostering a culture of open feedback, in the spirit of continuous learning and development. Learn from the adaptive nature of your Agile teams, they are experts in this.



LEARN AND SHARE, CONTINUOUSLY

If the model is to be truly dynamic, it needs a forum in which adaptation and learning can be fostered and shared. An enterprise-wide Centre of Product Enablement can own the playbooks to ensure syndication of lessons learned and good practices. These playbooks ensure consistency across the enterprise and long-term sustainability of the transformation.

Allied to this, it is essential to continually demonstrate that value is being delivered; understand and learn from all experiments, and don't expect them all to work first time. Regularly "take the pulse" of team engagement to ensure any points of friction can be addressed.



DYNAMIC AND ADAPTABLE

By applying the playbook technique, rather than following a rigid blueprint, leaders leave scope for the continuous incorporation of new strategies and learning, these ensure ways of working remain optimised as the enterprise adapts.

Teams will start delivering more relevant, timely value through the product focus whilst balancing investment and cost in a way that is not only transparent and measurable but also dynamic and adaptable.



START SMALL TO ACHIEVE DEMONSTRABLE VALUE

Build and deploy new teams throughout the transformation and use iterative, test-and-learn to adapt ways of working along the change journey; inspiring cultural change through specific teams having ownership of their areas. Facilitate critical planning, review and reflection events for each team and continuously refine playbook style collateral to inform the rollout with lessons learned at each step.

Plan where the Product principles can be used in Services and Platform delivery.

Frictionless processes

As companies scale and become more complex, silos emerge that lead to boundaries, reducing flow and introducing waste. Although a product approach will reduce this challenge within individual, focused units, it can often lead to greater tension with enterprise-wide concerns, such as platform and operations.

According to leading industry analysts, time spent managing the flow of work across an IT enterprise, rather than delivering actual change, typically accounts for over 20% of the organisation's effort. At Mozaic we advocate the relentless pursuit of automation to eliminate this waste. We work with our clients, applying standard tooling to integrate processes and create truly frictionless processes.

01

Standardise the flow of work across the organisation using process orchestration techniques, connecting the Portfolio, Product and Enterprise Service teams together.

02

Codify the points of connection and interaction between the teams to facilitate flow whilst minimising manual interaction.

03

Migrate product (DevOps) teams into this flow of work whilst (at least initially) allowing them to retain their chosen tools and technologies.

04

Create a set of clear dashboards, that measure across this integrated flow of work.

05

Build product ownership for this new way of working and establish communities of practice to continually enhance it.

▶ CASE STUDY – ZURICH

With over 50,000 employees, Zurich needed to improve its change capability to its global insurance business and recognised the alignment of IT Service Management to their federated DevOps and Product delivery model as a critical area.

Mozaic worked with Zurich's Product and Operational teams to fully automate the release and change lifecycle, enabling updates to be originated from within the Product Management teams whilst ensuring all control points were upheld, without constraining delivery.

Working in close collaboration, we reduced release cycle times by 80%, enabling responsive, high-quality, feature delivery and incident resolution, whilst demonstrating full control to regulators.

A relentless pursuit of automation

Importantly, processes can be implemented using your standard toolsets. The leading operational workflow products (e.g., ServiceNow) can be configured to orchestrate and automate workflows, which integrate with product teams' preferred tooling such as Jira and Jenkins. In this way the new processes are not imposed and seldom meet with resistance. They are welcomed by teams - eliminating the boring, frustrating part of the Software Engineer's job.

CLIENTS FACE ORGANISATIONAL CHALLENGES	MOZAIC IMPLEMENTS TOOLING AND CHANGE MANAGEMENT	TO DRIVE CLEAR OUTCOMES	WITH SUBSTANTIAL BENEFITS TO CLIENTS
Internally focused	Relentless customer focus	Alignment and customer engagement	▶ Mozaic radically transforms not only the operating model of an organisation, but also the culture and outlook of a business to a product-first mindset ▶ Projects directly led by seasoned executives, including ex C-Suite with scarce hands-on experience and knowledge in relevant fields ▶ Trusted partners with deep subject-matter expertise and proven track record of delivering mission-critical digital transformation projects ▶ An independent advisor, coupled with the right technological partnerships to enable true automation at scale  
Complicated processes	Automated processes, simple tools	Simplicity: easy for users	
Delivery in weeks	Delivery in minutes	High velocity: responsive delivery	
Best-effort application of security policies	Consistent application of security policies	Security and resilience	
Manual, duplicated activities	Automated delivery, transparency of cost	High efficiency and productivity	
Multiple and unknown records	Automated auditability across the estate	Control: fully auditable	
Manual, federated reporting	Standardised, real-time measurement	Insights and ML-driven decisions	

What are you waiting for?

Product-based operating models are increasingly the desired norm, and yet many organisations have been suboptimal in their implementation. This arises from a variety of challenges, which in our experience can be successfully overcome.

As we have seen, it is essential to start with a model that sufficiently meets enterprise requirements and empower teams throughout its adoption to ensure it remains dynamic and adaptive. In addition, organisations should strive to automate wherever possible, driving out waste.

Successfully achieving product focus will drive value, increased customer satisfaction, higher revenues, and greater margins. According to research, 92% of companies that tangibly improve customer experience, increase customer loyalty; 84% increase revenues; and 79% drive profitability improvements.

In a digital world where business agility and customer satisfaction are critical and where start-up companies can challenge long established global enterprises, a product-based operating model is a critical enabler of continued business success. At Mozaic, we believe those that embrace the approach will emerge from the continuous challenges of a modern digital economy, stronger and future ready.

ABOUT THE AUTHORS



Steve Tuppen
Director and Co-Founder
of Mozaic

Steve is recognised as a leading expert in Operating Model design and Digital change. He specialises in leading transformation, supplier negotiation and subsequent management of major IT estates, and his work has delivered billions of pounds of savings, whilst improving performance and agility of the organisation. He is also a keen cyclist.



Rob Smith
Director

Rob was a pioneer in Agile management at the turn of the millennium, when he co-founded IndigoBlue, and was recognised for his contribution to the industry when awarded MVP at the 2013 Agile Awards. He continues to help organisations deliver successful technology change and is also a keen cyclist, although not as committed as Steve.

FOR MORE INFORMATION

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