

The benefits and challenges when introducing a Product Based Operating Model (PBOM)

Abstract

The Product Based Operating Model is a key enabler for IT and Business to be truly aligned and to obtain Agility! Product-centricity is the mindset, action and assets that breaks functional silo teams into long-lived product teams.

In today's VUCA (Volatility, Uncertainty, Complexity, Ambiguity) world organizations must be able to react quickly to changing market conditions and new customer demands. Businesses are focusing on delivering customer values faster, with better quality, for less cost and must ensure customers are delighted.

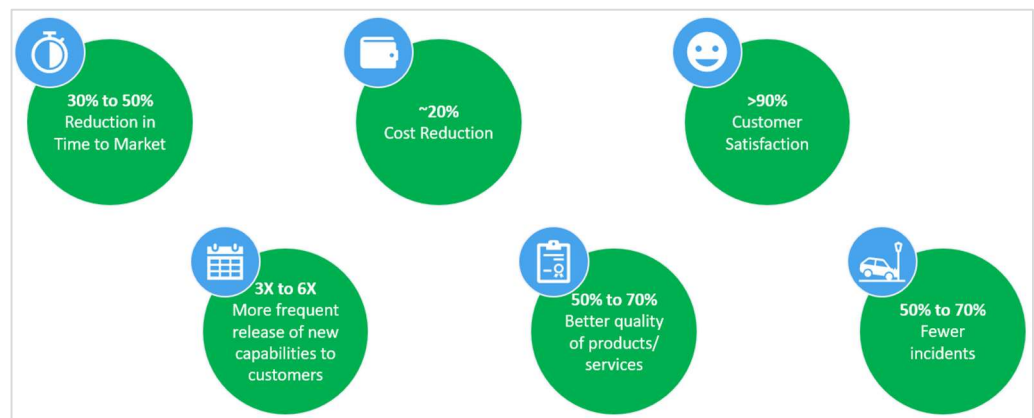
A key enabling factor to obtain improved delivery speed, higher quality, product agility, customer delight and an empowered work force is to organize IT and Business around products rather than executing in the traditional way – siloed projects.

In this white paper, TCS provides a holistic approach towards enabling the right levers and dimensions for an enterprise to transform into a Product Based Operating Model (PBOM) to enable an enterprise to enhance and optimize their value streams with a product-centric mindset.

Key Benefits of a Product Based Operating Model

Introducing a new operating model can be a challenge so there must be compelling reasons why an organization should embark on this journey.

TCS has worked with many clients within different industries and seen significant improvements in multiple domains. The journey will take some time depending on the maturity and willingness of the organization to embrace change and some of the improvements TCS has seen when implementing a Product Based Operating Model (PBOM) are the following:



Picture 1: Improvements seen by TCS when implementing a Product Based Operating Model

Traditional Project Management used to state “Pick two areas to improve – Speed, Quality, or Cost” but with the introduction of a PBOM model you can obtain improvements in the areas of focus.

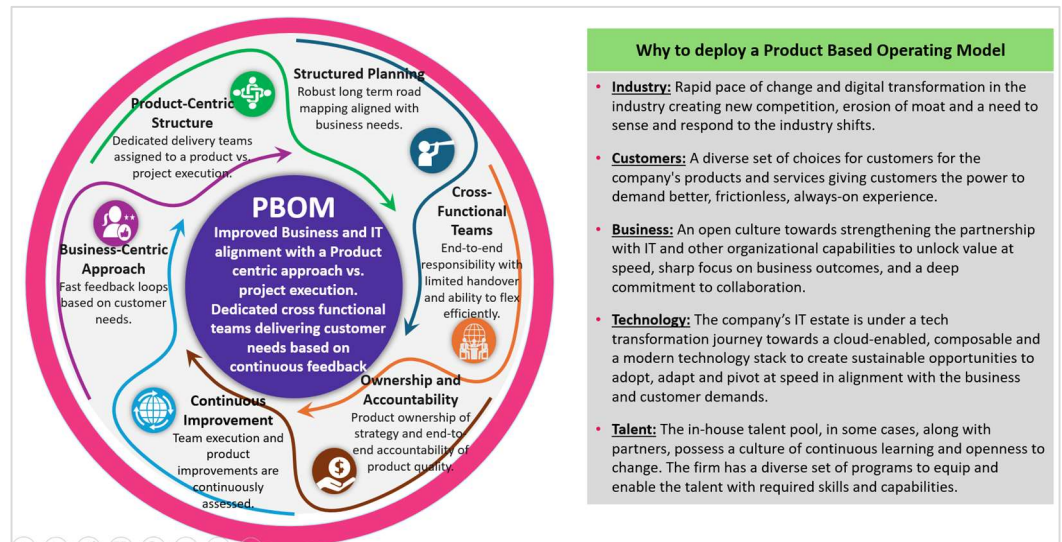
Traditional Project Management used to state “Pick two areas to improve – Speed, Quality, or Cost” but with the introduction of a PBOM model you can obtain improvements in the areas of focus, not limited to:

- Significant acceleration in delivering new features, we have seen 30% to 50% reduction time to market for mature product centric organizations
- More frequent releases and deliveries of new features and capabilities
- Cost reductions of delivery and support teams up to 20%
- With empowered teams “owning” the product from start to end, the quality increased significantly which is driving customer satisfaction and fewer incidents.

These are just some areas of focus when introducing a Product Based Operating Model. Some additional key drivers TCS has observed are the following:

- The rapid pace of change within most industries requires a new mode, an agile and dynamic model

- Customers have higher demands of the products provided by a company and an always-on experience is today's norm
- A deeper collaboration and enhanced understanding between the business and the IT organization



Picture 2: Why to deploy a Product Based Operating Model

Those companies that analyze the customer continuously and use that information can more easily expand into more revenue generation products and services.

Happy Customer Generates Revenue

One of the reasons for moving to this new dynamic product-centric approach is the positive result achieved via customer value obtainment. Happy and content customers are revenue generating customers. Those companies that analyze the customer continuously to understand their needs, wants and expectations from the offering, will improve customer experience while enhancing the product offerings. These calculated feature sets can expand into more revenue generation products and services as customers become more accustomed to expecting excellent value and service from that business.

Empowered Employees

Another benefit is the growth opportunity within the enterprise for employees to be able to have a stronger autonomous feel of accomplishment by reducing layers of bureaucracy as decisions and innovation opportunities are pushed towards product teams to identify proactive means to enhance their products. Utilizing data, these teams can experiment and reflect on improvement ideas, fostering growth opportunities for success both externally and internally.

Business and IT Collaboration

The change in governance assures a shared communication and collaboration objective, building a quality mentality often missing in the siloed business and IT functions.

New Funding Model

The funding model changes as well. Instead of a project focused annual model, a Product model provides funding based upon delivery of expected outcomes to include defined and measurable value gathered after releases. This assures a consistent alignment with strategic objectives and allows development of Minimally Viable Product(s) (MVP) to provide innovation, risk reduction and prove concept without long term annual commitment. This drives a value-oriented funding request process with appropriate follow-up value measurements.

By funding at a product level, the business assures the impacted teams are persistent over time, versus only available during the defined project. Knowledge gained during a project is often lost once the project is completed and funding stopped. In the Product funding model, knowledge is retained and used to innovate not only on the product itself, but on inventive ways to increase overall performance and security.

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Traditional Product Management Challenges

Traditional Product Management normally resides in a Business's Marketing organization. They identify potential products for their Business Markets, define requirements, passes those requirements on to their IT organization to be developed and waits for development completion to perform their acceptance testing. As part of this activity, they enlist a Program Management Office (PMO) to build a project plan of all the activities necessary to develop, test, train and launch the product encompassing many different groups within the business, each with their own set of priorities.

This level of interdepartmental complexity requires a strong program management team to keep on top of all the activities crossing the organization and provide status reporting to executives on the progress. Unfortunately, accountability is often lost as lack of progress is often blamed on areas who have little control on the outcome. In this scenario, groups are focused on providing output and leave the accountability for the overall product delivery to Product Management, who transferred their accountability once they passed the requirements to IT.

Although Product Management is charged with the responsibility to build products, they seldom have the control to assure the product is released as requested. That control is in the IT organization, which may have multiple development groups in their own siloes with their own priorities which may be totally different than Product Management.

Even with a Program Management Office managing the project, this siloed organization structure within Business and IT, results in sub-optimal delivery delays as each silo can blame another silo for not performing as expected due to competing priorities and measurement objectives with little coordination to overall Business Strategic Objectives.

Embarking on the Product Based Operating Model Journey

The business must decide on an overall business strategy/vision that is truly customer focused and value driven.

- What are our Products and Services?
- What problem are we trying to solve and why is it important?
- What drives the customers to purchase our product?
- How do we assure the customer will come back to re-purchase or add to their overall product use?
- What is the growth strategy for the product and/or customer base?

This leads to the new dynamic, where Product Management has all the capabilities to plan, develop, test and launch within their control and therefore, gain a level of accountability they don't have in the traditional Business and IT operating models.

The customer focus and value driven approach forces business to think about how they are currently operating. Many believe they are operating in this manner as they consider the voice of the customer, but often it is the voice of the loudest customer, the issue impacting a more vocal group of customers or internal executive than understanding the overall impacts to changes within the product and potential sources of customer frustration. Business cases often have value associated with them to get funding for a specific project but are seldom validated once implemented.

The Product Based Operating Model Structure

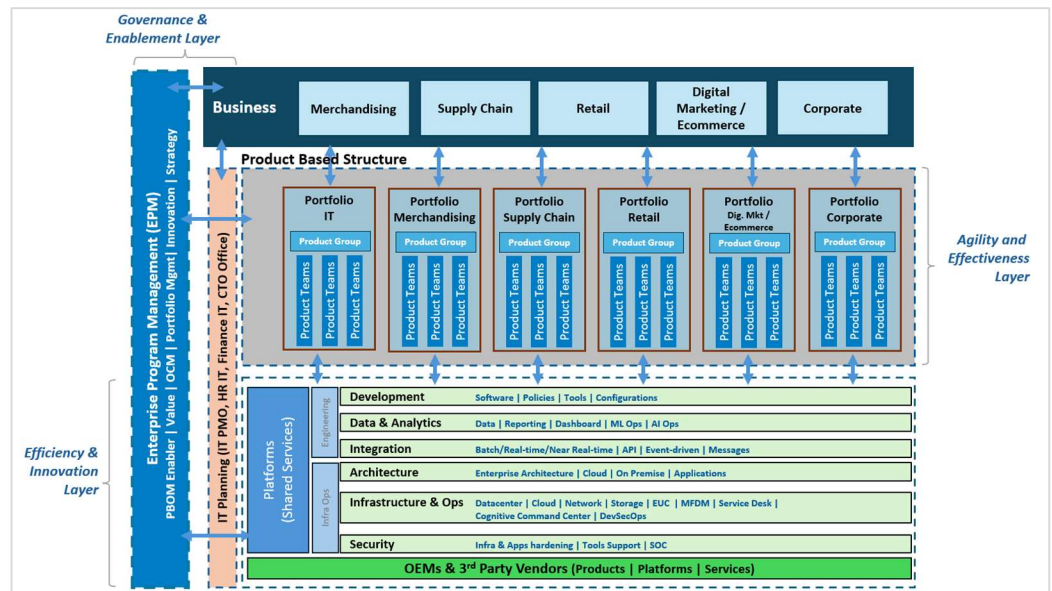
The Product Based Operating Model creates a more effective and flatter organization providing stronger accountability. To build that accountability, the Business determines the major value streams for the company which identify the major components of the business and the revenue impact they bring. As the business builds out their strategies and vision for the future, these value streams and their dependent value streams provide the support to the overall strategy and vision.

The Business Value Stream

- Decides on the products to drive the business value stream and associated vision and strategies.
- Identifies both the value derived in supporting internal and external customers of multiple types.
- Outlines major independent business functions which can be enhanced to drive their own value as part of the overall Business value stream.

The Product-Centric Structure

- Identifies the major independent product portfolios/groups and platforms which drive value for the customer and whose activity generates/drives either revenue value from external customers or productivity value for internal customers.
- For each product portfolio/group, a set of products are identified which can additionally be independently developed to enhance its customer's value opportunity.
- Initiates a continual product discovery mentality which utilizes both quantitative and qualitative data as a major contributor to customer and value determination.



Picture 3: Product Based Operating Model Structures

The Governance and Enablement Layer

- Provides an agile governance program to assure incremental plans, OKRs and KPIs are within business expectations.
- Guidance on product strategies alignment with enterprise Business Strategies.
- Provides value obtainment of value planned for strategy evaluations.
- Organization changes guidance to assure resource capabilities are aligned.

The Efficiency and Innovation Layer

- The platforms and services that assist product direction and delivery options, enhance customer experience performance, and assures full security capabilities at a customer and enterprise level.
 - Development tools and DevSecOps incorporation
 - Data analytics and analysis tools
 - Architecture and integration guidelines,
 - Infrastructure and performance innovations
 - Enterprise Security guidelines to assure product and customer integrity.

The Agility and Effectiveness Layer

- Structured into portfolios that encompasses one or multiple products
- Dedicated accountability and ownership per product
 - Product Owners
 - Agile development team
 - Scrum Master

- Execution based on Agile ways of working (e.g., Scrum, Kanban, SAFe etc.)

A New Operating Model Has Some Challenges

This new dynamic of the Product Based Operating Model is not without its challenges. Organizationally, the business model and the application focus model undergo a change. It requires a leadership buy-in to the dynamic as current ways of working will be disrupted to obtain a customer value, product orientated model. This inability to make necessary changes often dooms Product Operating Model transformations to failure.

Consider many of today's business models. They are structured around business functions and supported by specific applications which may support all the products a business offers. Any change often needs to go through a committee to evaluate the change and impact to a multitude of applications and business functions to assure proper agreement and coordination is accomplished. Due to the coordination effort, by the time the change is agreed, developed, and implemented; the market need may have changed leading to an ineffective release which does not meet its customer or revenue expectations.

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By structuring the organization around a product, each product can stand independent, have its own customer and revenue objectives, while supporting the business's strategies and vision. By having a Business and IT teamed approach assures proper collaboration.

One of the more challenging aspects is in product management. Current product management organizations are usually marketing operations focused on features to add to a product. There is a paradigm to a product leader who can provide a product vision that can not only support business objectives but is viable to market and monetization. Provide a focused approach to the product implementation for ease of use and positive customer experience. Create a product to be designed incrementally to obtain value quickly and build a base from which to gain customer driven improvements that support the business objectives.

What is your Maturity?

As this is a new dynamic, many companies are either just starting or initiated efforts to move to a product based operating model.

If you are just starting, getting executive buy-in is extremely important. The changes that will occur organizationally need to be understood and are often tested within a pilot program to prove its value and begin the organizational changes necessary to have an effected product based operating model.

- Select a product
- Identify the business and IT leaders to own the vision and strategy
- Initiate a product design and usability. (A Customer Journey is helpful)
- Identify the supporting Applications
- Build incremental value steps
- Focus on quality and value outcomes
 - Build your first incremental value
 - Measure value and retrospect
 - Repeat

If you have jumped in with both feet, have identified your product and moved to a more outcome focused approach:

- Have you linked business and IT? This is often a missing step.
- Are your teams aligned with the product vision?
- Have incremental value steps been identified?
- How are the outcome values measured?
- Can the product be release independently or are dependencies preventing it from being released on demand?

These are just some of the many questions to think about.

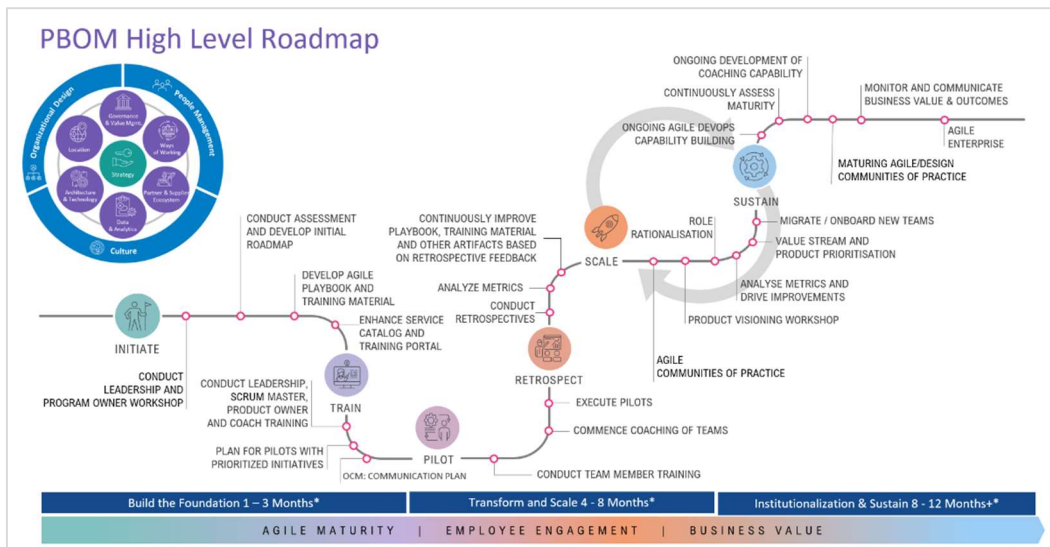
Other questions may center around how your company has set-up the development process (in sprints or via Kanban). Or whether all teams are on a standard cadence cycle which can allow more effective coordination is the case of dependent product related releases. These can assist the governance capabilities as your product teams grow.

PBOM Roadmap

Introducing a new operating model to an organization and aligning IT with the business requires an organizational change as well as a new way of working. The creation of Product teams (comprised by both IT and Business) focused on delivering value to the customer provides that not only a positive change in overall collaboration, but an innovative spirit seldom seen in siloed project teams. The key outcome is a collaborative commitment to delivering on customers needs, wants and expectations.

An overall strategic approach i.e. developing a Roadmap, with incremental steps is a proven implementation approach.

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Picture 4: PBOM Roadmap

As you move along this journey, give your teams the autonomy to own their Product, challenge them to be innovative, celebrate incremental successes in obtaining increased margins with stronger predictability.

The high level PBOM roadmap is a blueprint of how an organization can structure their journey when embracing a Product Based Operating Model.

- The initial phase (Initiate) is where the leadership is aligned and assesses their current environment.
- The next phase (Train) is to develop organizational aligned training material and conduct training to the organization.
- It is recommended that the organization starts with a “test run” (Pilot) within a select part of the organization.
- The pilot is evaluated (Retrospective) and based on the finding changes and improvements are introduced.
- An implementation approach is developed (Scale) to introduce the PBOM to the wider organization.
- Coaching and training is a continuous activity (Sustain) during the program, and this will ensure the PBOM is understood, embraced and continuously evolved and improved.

For more on implementing a Product Based Operating Model in your organization, please contact your Local TCS Office.

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