MyConsultancy

IS YOUR ORGANISATION READY FOR AI?

Rethinking Operating Models in the Age of Collision

Manoj Tavarajoo

August 2025

Is Your Organisation Ready for AI? Rethinking Operating Models in the Age of Collision

Manoj Tavarajoo | AI Essentials for Leaders Series – Article 8

Let's connect on LinkedIn

The collision between AI-first and traditional firms is exposing a truth many leaders resist: technology adoption alone is not enough. What separates those who thrive from those who fail is whether their operating model, the way strategy is executed through processes, culture, and technology, is designed for adaptability in the age of AI.

Why Operating Models Matter

An operating model translates strategy into execution. It determines how decisions are made, how resources flow, and how value is created for customers. In the AI era, operating models must handle speed, complexity, and continuous learning.

Traditional models:

- Hierarchical decision-making with slow approval chains.
- Processes optimised for efficiency, not adaptability.
- Legacy IT systems with fragmented data.
- A culture that prizes predictability over experimentation.

AI-first models:

- **Data at the core**, with insights driving decisions in real time.
- **Distributed authority**, enabling teams closer to the data to act fast.
- **Continuous experimentation**, embedding test-learn cycles in every workflow.
- **Seamless integration** of digital and physical assets for agility at scale.

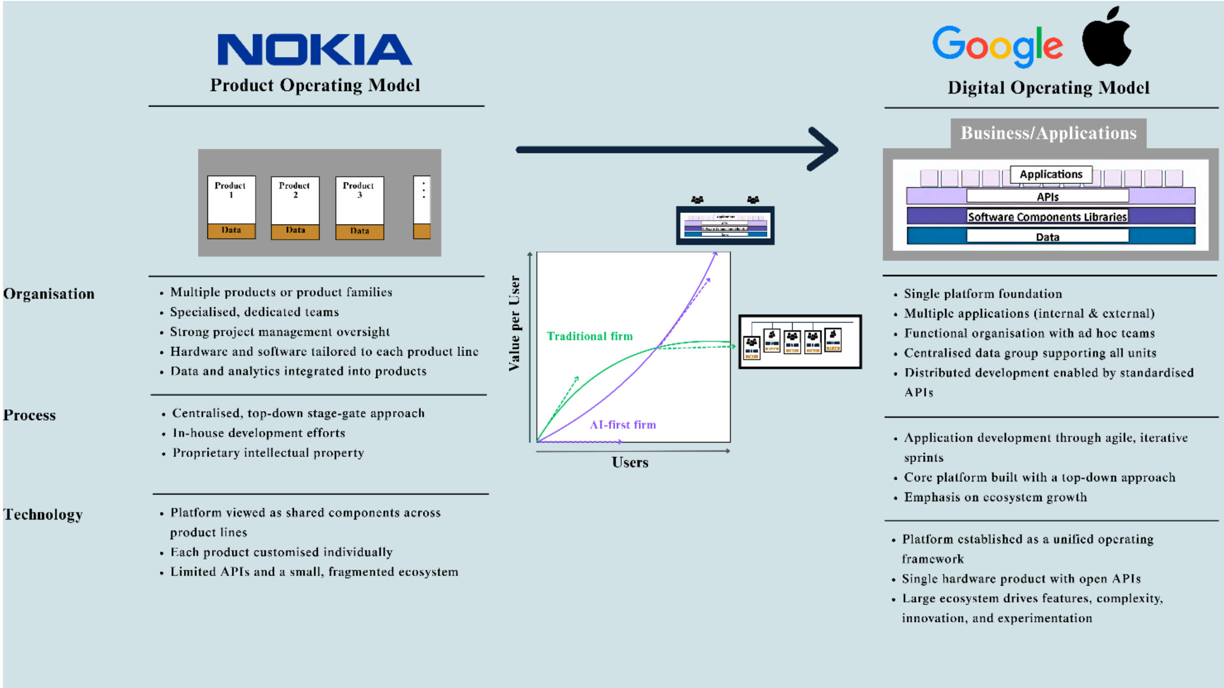

Figure 1: Traditional vs. AI-First Operating Models (Source: Adapted from HBS)

Signals Your Organisation May Not Be Ready

Leaders often overestimate their organisation’s readiness. Telltale signs include:

- AI projects stuck in pilots that never scale.
- Data locked in silos, preventing a single source of truth.
- Overdependence on external vendors with little internal capability.
- KPIs focused only on cost, not innovation or learning.
- Middle managers resisting change to protect existing processes.

Mini-case (Failure):

A major European bank invested in AI for credit risk, but its governance model never changed. Every model update required approval from multiple committees, so recalibration took months. By the time new insights were cleared, market conditions had already shifted. This lag left the bank exposed, while more agile competitors adjusted in days.

What AI-Ready Firms Do Differently

AI-ready firms redesign their operating models around adaptability. Examples include:

- **Manufacturing:** Companies like Siemens use AI-driven predictive maintenance, reducing downtime and costs by restructuring processes around real-time data.
- **Retail:** Walmart integrates AI into supply chains, dynamically adjusting inventory and pricing with market shifts.
- **Healthcare:** Hospitals deploy AI triage tools but also change workflows, ensuring clinicians trust and act on AI outputs.
- **Banking and financial services:** Institutions such as BBVA and JPMorgan embed AI in credit risk and fraud detection, supported by governance changes that allow faster model recalibration.
- **Energy:** Firms like Shell and Enel use AI to optimise energy distribution and predictive maintenance, redesigning processes to balance efficiency with sustainability goals.

Mini-case (Success):

DBS Bank demonstrates how governance and culture can unlock AI's full potential. By flattening hierarchies and empowering cross-functional teams, it eliminated bottlenecks in decision-making. Risk and credit models that might take months in traditional banks could be recalibrated in days. This operating model shift gave DBS both resilience and speed, positioning it as one of the world's most AI-ready banks.

Levers of Change in the AI Age

Becoming AI-ready requires pulling four levers together. These four levers, drawn from the HBS Transformation Journey framework, represent the pillars leaders must strengthen to become AI-ready:

1. **Strategy**
    - Identify where AI creates differentiated value (customer intimacy, efficiency, or innovation).
    - Accept that some existing revenue streams may need to be cannibalised.
2. **Governance**
    - Assign clear accountability for AI ethics and outcomes.
    - Streamline decision-making so approvals match AI's pace.
3. **Architecture**
    - Build a digital core: scalable cloud platforms, unified data lakes, and integration layers.
    - Ensure experimentation platforms support rapid testing and deployment.
4. **Culture**
    - Encourage experimentation and reward learning.
    - Flatten hierarchies so decisions move closer to the data.
    - Promote cross-functional collaboration between tech and business.

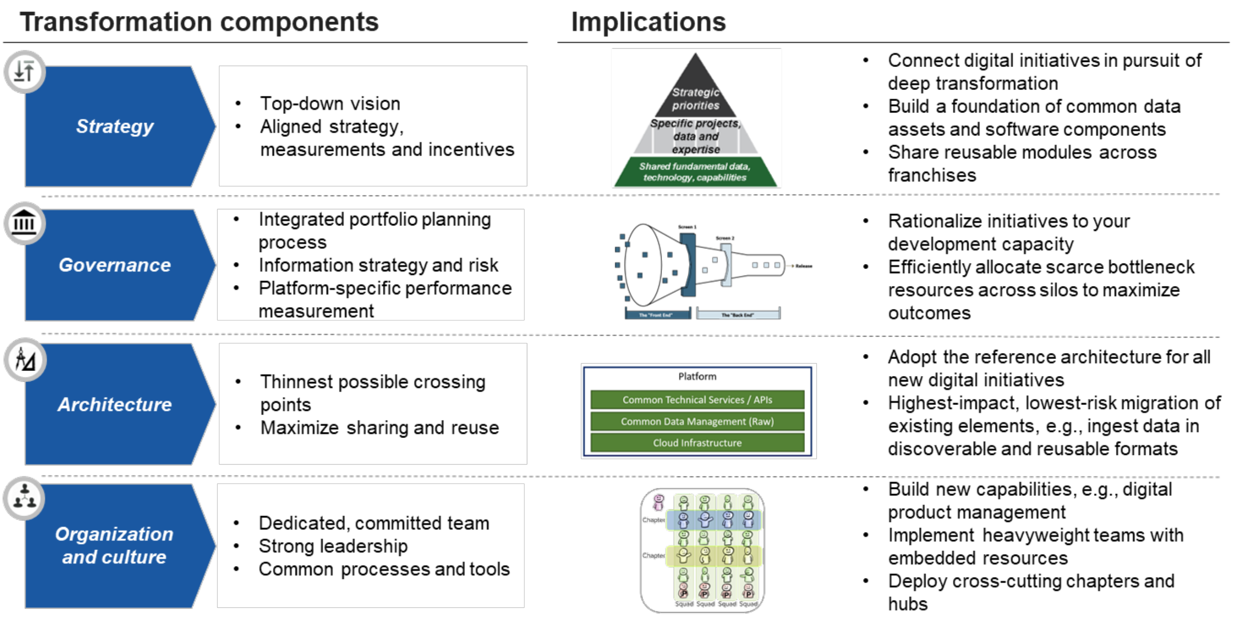

Figure 2: Four Levers of AI Transformation (Source: Keystone Strategy LLC)

Measuring Progress

An AI-First Scorecard helps leaders track progress:

- % of decisions driven by data rather than intuition.
- % of processes with embedded AI.
- Cycle time from experiment to scaled deployment.
- Cultural indicators such as employee willingness to try, fail, and learn.

These metrics shift the focus from activity to adaptability, helping leaders measure progress on becoming AI-first.

The Cost of Inaction

History shows what happens when operating models fail to adapt:

- Nokia clung to hardware, while Apple built an ecosystem.
- Blockbuster prioritised stores, while Netflix built a data-driven platform.
- Banks that resisted digital credit models lost ground to fintechs like Ant.

In the AI era, the cycle is faster, and leaders who hesitate may lose entire markets within a few years.

The Takeaway for Leaders

Becoming AI-ready is not about adding AI to yesterday's organisation. It requires rethinking the very foundations of how the business operates.

Leaders must ask:

- Is data truly at the core of our model?
- Do we empower teams to act on AI insights quickly?
- Are we rewarding adaptability as much as efficiency?

Those who answer "yes" will thrive in the collision ahead. Those who delay risk repeating the fate of Nokia, Blockbuster, or Sears.

Up next:
AI Strategy 101: Unlocking Product Value, Network Value, and Data Value

MyConsultancy

Accelerating Digital Information

www.myconsultancy.com.au