BCG
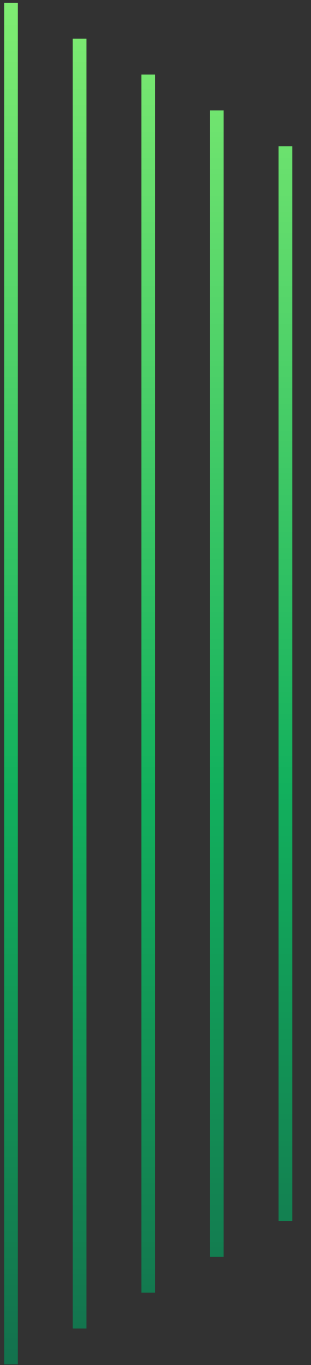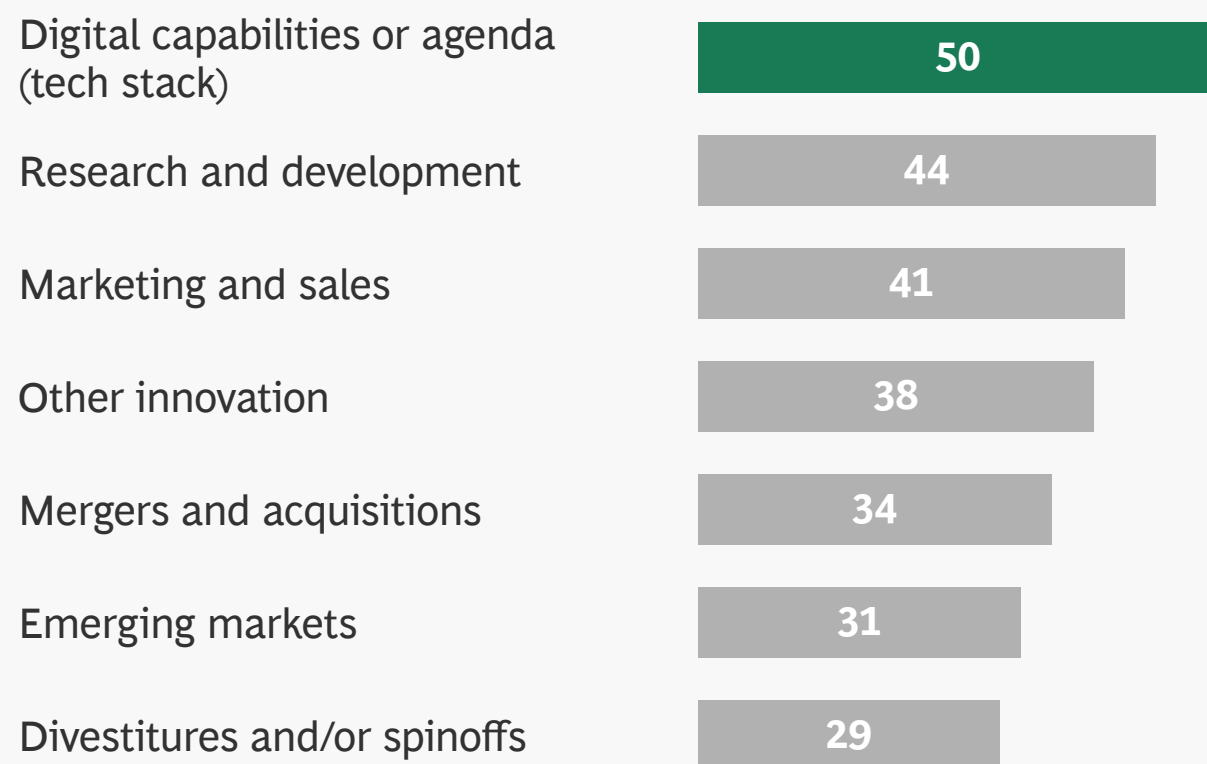
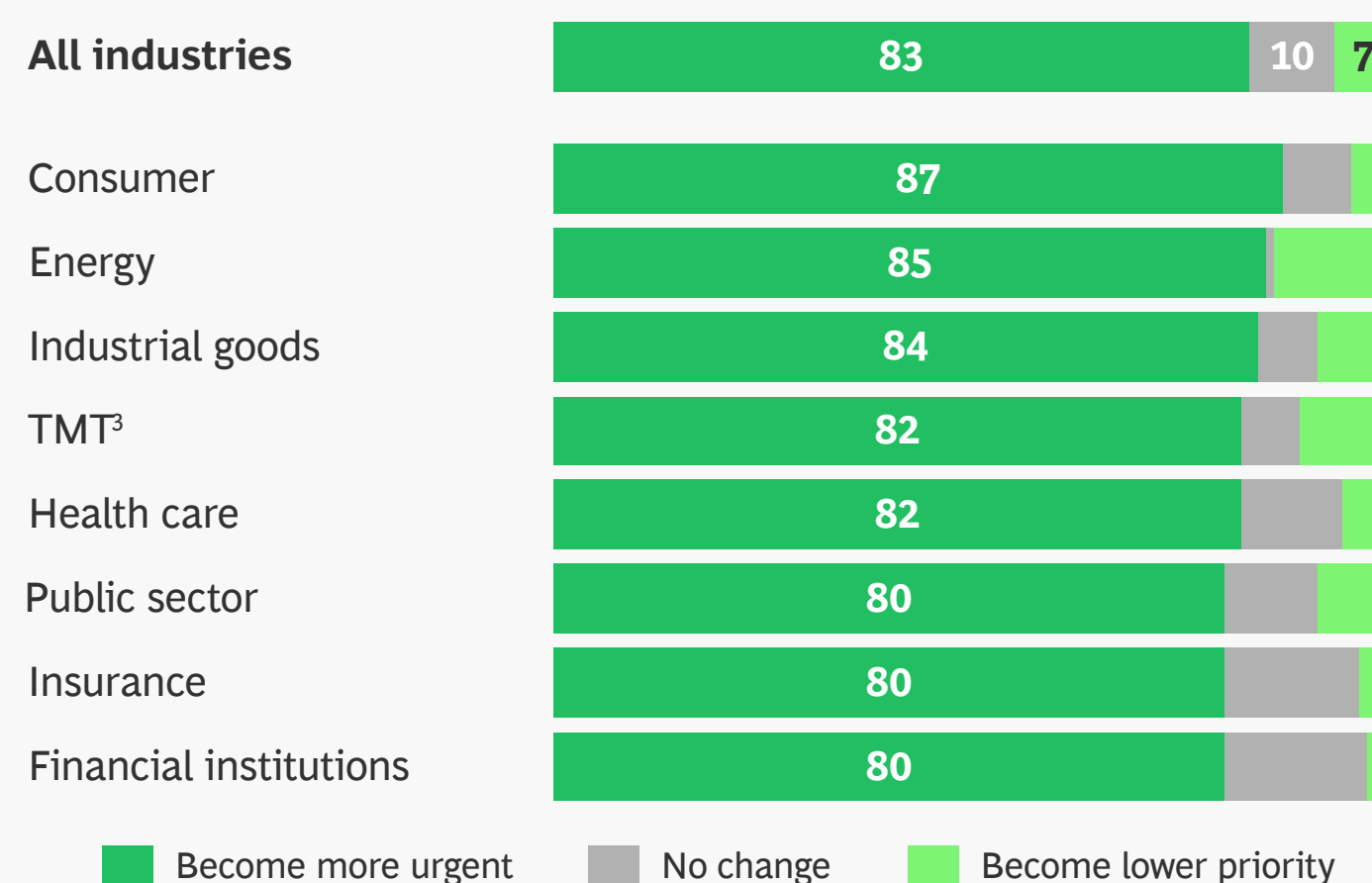# How a Platform Operating Model Can Drive Agility and Resilience

Executives view digital capabilities as a top priority, with more than 80% saying that digital plans have become more urgent since the COVID-19 pandemic

PRIORITY INVESTMENT AREAS[1] (%)

Area	%
Digital capabilities or agenda (tech stack)	50
Research and development	44
Marketing and sales	41
Other innovation	38
Mergers and acquisitions	34
Emerging markets	31
Divestitures and/or spinoffs	29

RESPONDENTS BY VIEW OF THE PRIORITY OF DIGITAL TRANSFORMATION SINCE THE PANDEMIC BEGAN[2] (%)

Industry	Become more urgent	No change	Become lower priority
All industries	83	10	7
Consumer	87		
Energy	85		
Industrial goods	84		
TMT[3]	82		
Health care	82		
Public sector	80		
Insurance	80		
Financial institutions	80		

■ Become more urgent   ■ No change   ■ Become lower priority

The top three barriers preventing the acceleration of digital agendas are agility and scalability related

Top five reported barriers
COMPANIES REPORTING EACH BARRIER (%)

Barrier	%
Legacy systems remain, reducing flexibility	43
Lack of organizational agility, limiting ability to transform	40
Siloed data within noninteroperable legacy systems	40
Lack of consistent initiatives and medium- to long-term targets	36
Limited change management and lack of entrepreneurial or innovative culture	30

Legend: ■ Scalability related   ■ Agility related

Two-thirds of industry-leading companies have recognized the challenges and see an urgent need for operating model redesign
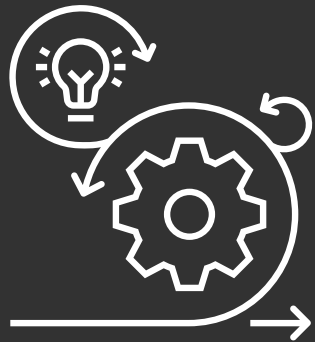
Keep pace with rapidly evolving technology
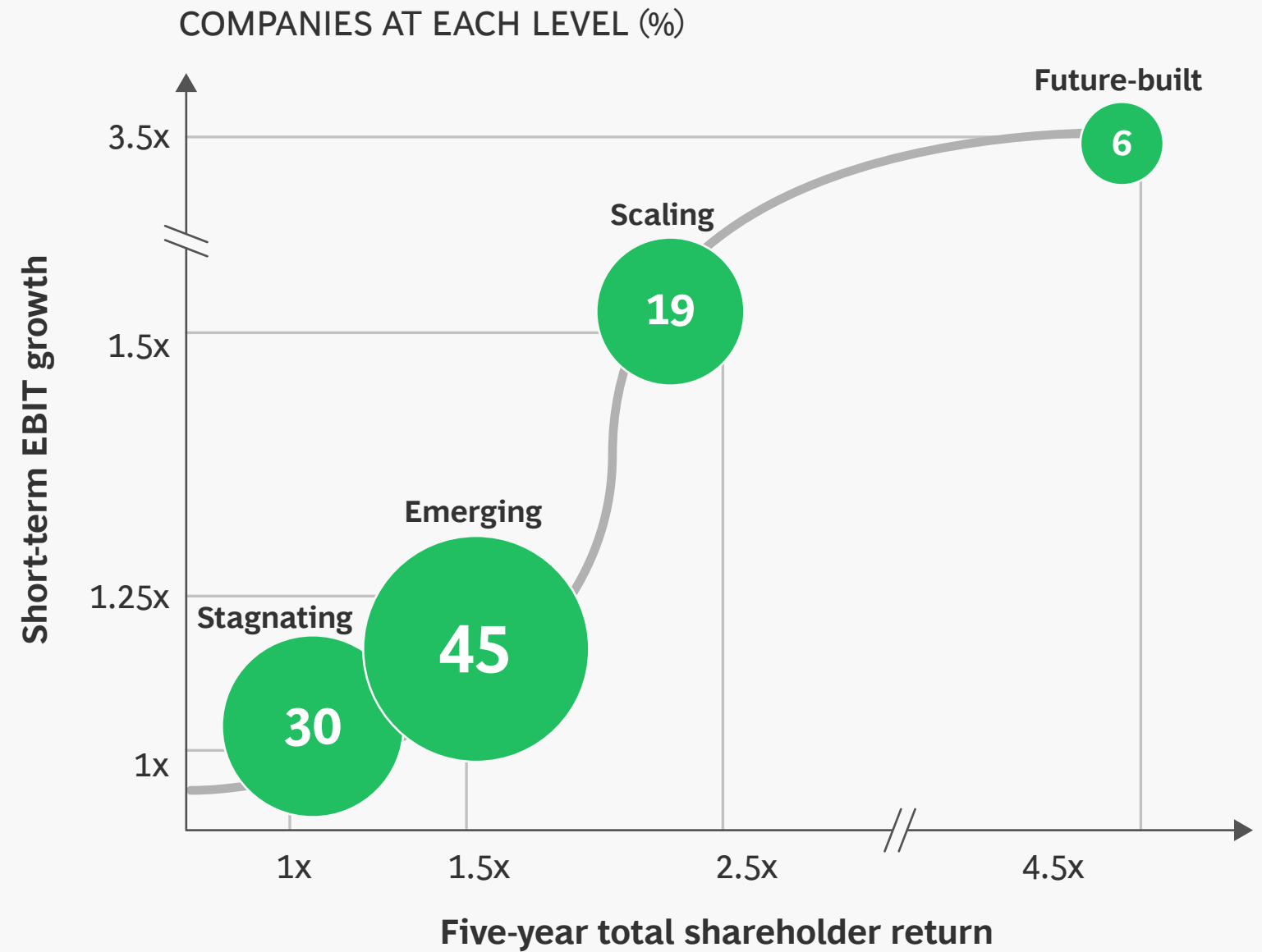
Create competitive advantage

Build organizational resilience

Win the fight for talent

A select group of future-built companies have successfully cracked the code, outperforming the competition and thriving
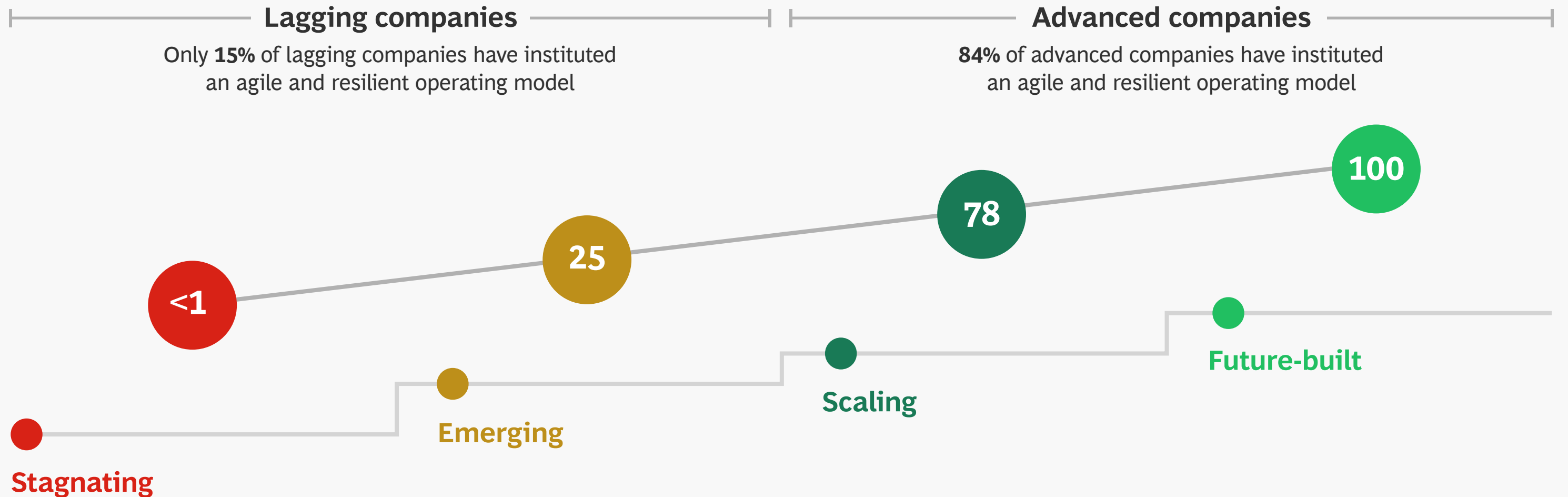
COMPANIES AT EACH LEVEL (%)

Short-term EBIT growth (y-axis)
Five-year total shareholder return (x-axis)

- Future-built — 6
- Scaling — 19
- Emerging — 45
- Stagnating — 30

y-axis labels: 1x, 1.25x, 1.5x, 3.5x
x-axis labels: 1x, 1.5x, 2.5x, 4.5x

More than 80% of advanced companies have adopted operating models that enable agility and resilience

COMPANIES THAT INSTITUTED AN AGILE AND RESILIENT OPERATING MODEL[1] (%)

Lagging companies	Advanced companies
Only **15%** of lagging companies have instituted an agile and resilient operating model	**84%** of advanced companies have instituted an agile and resilient operating model

<1 Stagnating

25 Emerging

78 Scaling

100 Future-built

Future-built companies successfully adopt agility and resilience in their operating models by excelling in every constituent capability by a wide margin

Capabilities of an operating model with agility and resilience

Percentage of future-built companies versus stagnating companies with a high capability score[1]

Agile ways of working: Small, decentralized, and nimble multidisciplinary teams own and run what they build.

10x[2]

Rapid scalability: Agile teams build and manage processes to be able to scale rapidly without compromising on customer experience or operational excellence.

8x

Optimized talent and skill design: The business tailors design jobs to the staff's diverse experience rather than creating fixed job descriptions.

6x

Governance: Funding is released early, remains stable over the medium to long term, and is based on performance; this enables innovation, experimentation, and development of MVPs and proofs of concept.

6x

Risk management: The business understands the risks related to various digital initiatives and prepares appropriate measures to mitigate threats.

3x

Crisis response: The business responds effectively to economic trends and events, such as supply chain issues and global inflation.

2x

Companies that adopt an operating model with agility experience significant benefits, with a direct impact on customer satisfaction and financial performance

|	Typical benefits . . .	. . . as a result of a comprehensive agile transformation
Time to market	**2x–4x** acceleration[1] in delivery	· Teams prioritize and focus on the highest value features · Product launches follow very short cycles
Products and features	**10%–20%** increase in customer satisfaction and return on digital investment	· Business and IT collaborate closely · Customer feedback is incorporated rapidly
Delivery efficiency	**15%–20%** reduction in development costs	· Implementation cycles accelerate · Program and project management overhead decreases
Productivity	**4x** increase in velocity[2]	· Waste and errors are reduced · Technical debt is minimized by continuous improvement
Employee engagement	**Over 90%** employee engagement	· The agile organization helps attract and retain superior talent · High performers are more satisfied

Lagging organizations must first adopt agile ways of working and optimize job design before rapidly scaling as they advance toward being future-built

Lagging companies   **Advanced companies**

Stagnating

Emerging

Scaling

Future-built

4x

2x

2x
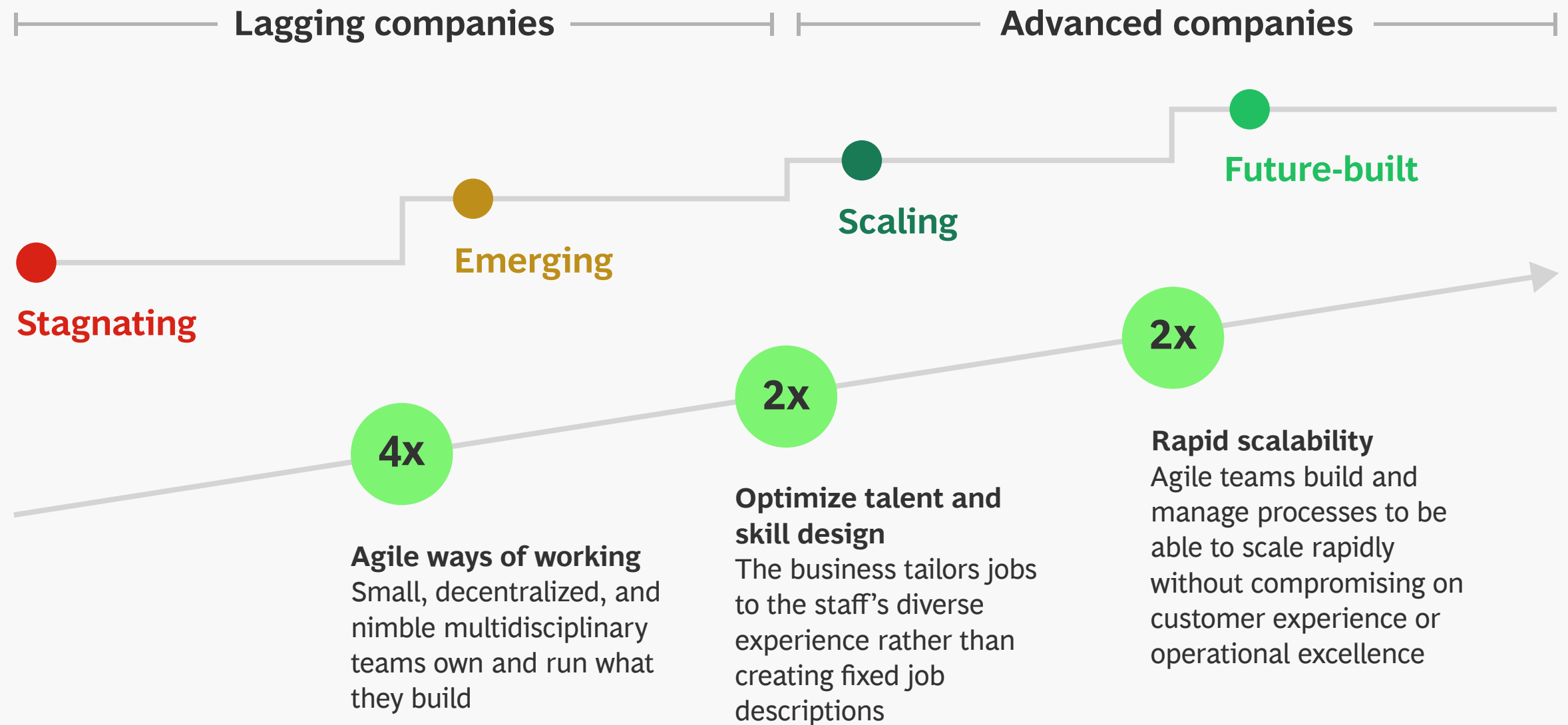
Top operating model enablers and adoption rates change at each BFF journey transition

Agile ways of working
Small, decentralized, and nimble multidisciplinary teams own and run what they build

Optimize talent and skill design
The business tailors jobs to the staff's diverse experience rather than creating fixed job descriptions

Rapid scalability
Agile teams build and manage processes to be able to scale rapidly without compromising on customer experience or operational excellence

The platform operating model is a new way of organizing and working that enables the creation of value faster, cheaper, and at scale

Platforms deliver shared products and services that multiple business units combine and consume. Most companies already use platforms, for example in infrastructure, but with POM they go far further, eliminating:

· Duplication, as capabilities are shared enterprise-wide

· Substandard capabilities, as reuse supports the business case for investment and scarce talent is better leveraged

· Silos, handoffs, and burdensome governance, as matrix management is removed through radical simplification
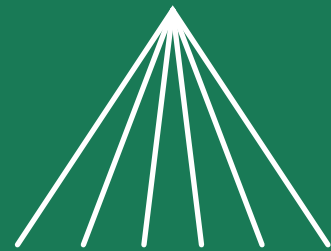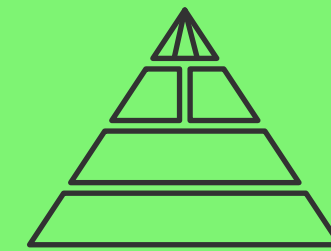
Traditional organization

· Business units and functions
· Silos and bespoke processes
· Hierarchical prioritization
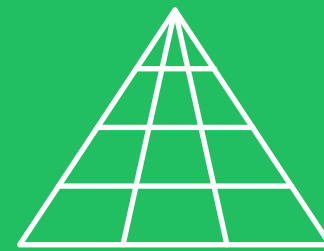
Matrix organization

· Business units and functions
· Some shared capabilities
· Hierarchical prioritization

Platform operating model

· Business units driving missions
· Accelerated by shared platforms
· Dynamically aligned priorities

To evolve to a platform operating model, businesses need a shift in five areas

FROM... → **TO...**

|	FROM...	TO...
Structure and roles	· Organizational hierarchy as primary driver of priorities	· Cross-functional business units as primary driver of priorities
Governance and business outcomes	· Income statement ownership by vertical business unit as primary steering mechanism · Projects and programs as budgeting units	· Dynamic, cascaded goals defined at team level · Outcomes and products as budgeting units
Processes and technology	· Processes optimized for functional efficiency · Interconnected systems and fragmented data	· Platforms optimized for value creation · Modular data and technology and advanced APIs
Sourcing talent and tech	· CHRO- or CTO-led sourcing processes · Fully fixed or project-driven teams	· Responsive sourcing and upskilling · Semi-stable teams aligned to products
Leadership, culture, and behavior	· Command and control · Reward linked to size of organization	· Fostering of alignment and empowerment · Incentives linked to customer value
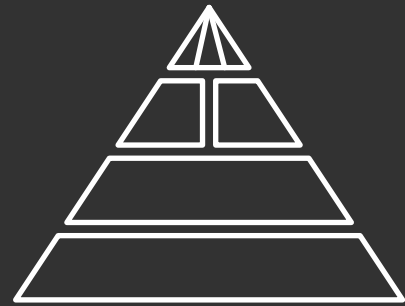
Three key building blocks for a platform operating model

The platform operating model brings together funding, people, and assets[1] to create platforms that deliver speed, efficiency, and responsiveness
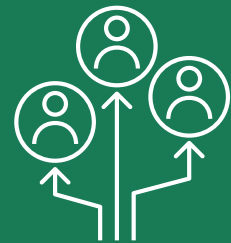
Business units (BUs) deliver the organization's highest-priority missions and customer outcomes
Example BU orientations include a geographic market, a customer segment, a product group

Business platforms deliver shared, customizable products and services that business units combine and consume to create customer value faster, cheaper, and at scale
Examples include hardware components, pricing, warehousing, and customer services
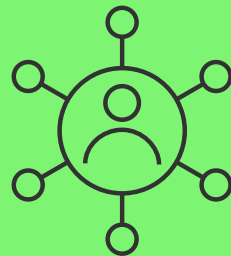
Foundational platforms provide enterprise-wide digital, operational, and corporate capabilities
Examples include recruiting and people management, single-source-of-truth data foundation, and service centers

Two common starting points for companies on their platform operating model journey

Build no-regret priority platforms

Deliver value rapidly and test and learn from successes in a single area

Ideal candidates for priority platforms should be:
· Shareable across the enterprise
· Strategically valuable capabilities
· Likely to result in wide adoption

Develop an operating model blueprint

Design the full blueprint for target-state platforms across the enterprise

Typically includes:
· Baselining the current operating model
· Aligning on platform operating model principles
· Designing and building platforms in waves

Case Study: Global Specialty Retailer

Company situation

A global specialty retailer was spending inefficiently on its digital organization and falling short of its ambition to be a digital leader.

Challenges

Included lagging digital efficiency, lack of internal technical expertise, and slow go-to-market.

✓ Solutions

Global digital frontrunner: Organization-wide commitment to impact, not output, with KPIs aligned to company goals.

✓ Rebuilt IT organization:
Technical skillset brought in-house; recruiting, career pathing, and learning and development curriculum established.

✓ Streamlined and agile organization:
Redesigned organizational structure and corresponding governance to support agile ways of working.

Agile op model

80%
of agile teams achieving impact goals

In-house talent

70%
of technical talent in-house, up from 30%

Digital sales

4x
increase in sales through digital channels

Talent upskilling

1,000
employees upskilled to support organizational goals