

REVOLUTIONIZING BUSINESS OPERATIONS

How to Build Dynamic Processes for
Enduring Competitive Advantage



Tony Saldanha and **Filippo Passerini**

Foreword by **Roger Martin**

named world's #1 management thinker by Thinkers50

Praise for *Revolutionizing Business Operations*

“*Revolutionizing Business Operations* is a captivating and eye-opening look at how to have best-in-class business operations. Tony and Filippo capture essential knowledge and critical insights in an actionable way that makes this a must-read book. I’ve seen firsthand the long-lasting value created by adopting these practices.”

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“As every CEO and CIO knows, it is no longer sufficient for companies to just create winning products and services; they also need winning operations. This exciting book shows just how to achieve that.”

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“For as long as I have known Tony and Filippo, they have pushed the boundaries of business transformation for competitive advantage. This book is a wonderful summary of their recipe.”

AMIT BANATI, Chief Financial Officer, Kellogg Company

“*Revolutionizing Business Operations* is a fabulous guide. The three drivers the authors identify provide a practical and comprehensive approach to rethinking your business processes. Tony and Filippo have gained the respect of the business process industry first as executives, and now as the advisers.”

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“Bravo to the authors! They have managed to mix highly sophisticated insights on lasting transformation with very compelling and practical stories. The ideas and resources in this book will leave a lasting legacy in the business operations industry.”

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“The challenge for us in leading business and digital transformation is how to embed the right business drivers into our processes and systems. With this book Tony and Filippo do a fantastic job of giving us the secret sauce for dynamic business process transformation. *Revolutionizing Business Operations* is a must for anyone who wants to be successful in business or digital transformation.”

HANS FRÖLICH, Senior Vice President, Global Business Services,
EDGE Group

“Traditional operating model companies need a different mindset to accelerate value creation from their digital transformations. Tony and Filippo have distilled their knowledge from working with the largest companies in this simple and insightful new book. A must-read for executives.”

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“An exceptional, practical, thought-provoking guide for creating dynamic, competitively superior corporate business processes across functions, business units, and geographies. Written by two brilliant pioneering veterans of P&G’s groundbreaking Global Business Services unit, this book helps companies proactively transform in ways that are smarter, faster, and more innovative.”

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“This book is the next generation of the 1990s classic *Reengineering the Corporation*. Filippo and Tony do a fabulous job of getting us all to think about delivering operations through an enlightened ‘go to market’ or ‘B to C’ lens complete with prescriptive stages that allow each reader to develop and envision their very own custom pathway to a new dynamic and responsive operating model.”

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BOB JOHANSEN, Distinguished Fellow, Institute for the Future, and coauthor of *Office Shock* and twelve other books

“It is hard to drive process transformation in an organization. It’s even harder to stay in a state of constant transformation. And yet, that’s what the current times require. This book shows you how to do both.”

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“Filippo and Tony’s unparalleled expertise and experience shine in the examples and clear approaches. This book is a huge milestone and a useful, thought-provoking read. Bravo!”

STEVE MCCRYSTAL, Chief Enterprise and Technology Officer, Unilever

“Whether you lead a private or public sector enterprise, one thing is a given. You must constantly transform your operating model or fall behind. Saldanha and Passerini share their proven secrets on how exactly this can be done. This isn’t a theoretical model; it’s a proven, practical approach to sustained competitive advantage.”

KUMAR V. PRATAP, Senior Economic Adviser, Government of India

“*Revolutionizing Business Operations* is the ultimate cookbook for perpetual business transformation. What makes it even more delightful is that it’s written in an engaging, easy-to-read manner. Filippo and Tony are the key thought leaders in the Global Business Services and business transformation space. This book is an opportunity to learn from the masters.”

NAOMI SECOR, Global Managing Director, Shared Services & Outsourcing Network

“A strong business operation is the competitive edge that every company seeks in today’s world. In this book Tony and Filippo distill the foremost strategies into easy actions. Best of all, their suggestions come from decades of actual leadership experience. This book is a must-read for planning a transformation journey.”

YOICHIRO TAKAMI, Partner, EY Strategy and Consulting Co.

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*To our wives, Julia Saldanha and Lucia Passerini.
You make us better.*

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FOREWORD

I met Filippo in November 2002 in unusual circumstances. A.G. Lafley, CEO of P&G at the time, had asked me to come to Cincinnati for a set of three meetings. He had done so at relatively the last minute, so he graciously sent the corporate jet to pick me up. He was facing a highly contentious decision about whether to do a major outsourcing of most services—IT, facilities management, HR, and procurement.

One group passionately believed that P&G should outsource the entire set of activities—desktop support, applications development, facilities management, payroll, and so on—to a major outsourcing firm. Another group felt equally strongly that it would be a terrible mistake to outsource any of these activities—P&G should manage them internally in a world-class fashion. Never an either/or guy, A.G. had asked Filippo to come back from an assignment running P&G marketing in Greece and develop a new, innovative alternative.

A.G. wanted each group to present their findings to me; I would then write him a memo with my recommendation. I had never had an assignment of that sort before and haven't had one like it since.

Filippo's approach called for the activities to be outsourced in three separate packages to best-of-breed outsourcing companies. His was the most compelling. That outsourcing, led by Filippo and his team, including Tony, would turn out to be the largest and among the most successful in the industry. Tony was program manager of the effort at the time. He had the job of managing the portfolio of the outsourcing

projects and running the daily management of the program. Once the outsourcing deals were done, he would go on to design the governance of the outsourced work. When A.G. appointed Filippo as the new head of P&G Global Business Services (GBS), Filippo reached out to me to help him think through the GBS strategy going forward, through the outsourcing and beyond. I worked with Filippo and his team more intensively for the first few years of his time heading GBS and somewhat less so later. However, I always got to enjoy fabulous Italian dinners at Casa Passerini!

I think that *Revolutionizing Business Operations* is a terrific guide to process transformation. It is based on decades of practical experience in the trenches. But—and excuse my nerdiness—what I like best about it is that the model it puts forward embodies the characteristics of the outcome the authors desire. This is often not the case in business books. I will use my own field—strategy—to illustrate. Most would agree that strategy is a creative exercise aimed at making choices in a dynamic and uncertain environment. Strategy people often send me their models for creating strategy because they would like me to endorse or adopt them. The models tend to involve painfully laborious and bureaucratic processes—typically accompanied by complicated flow charts. While the desired output is a creative strategy, the model put forward is usually antithetical to creativity. In fact, the models are guaranteed to stomp out any hint of creativity when deployed.

In stark and wonderful contrast, *Revolutionizing Business Operations* is a book about dynamic transformation, and the book's core model does more than merely produce dynamic transformation—the model itself *embodies* dynamic transformation. I love that reinforcing consistency: a model for dynamism that itself is dynamic!

The authors' own journey illustrates the dynamism. When GBS was first applying this model (see Chapter 1), the most sophisticated and advanced thinking was what the authors now characterize as Stage 2 of the book's four-stage *Dynamic Process Transformation* model. But as of the writing of this book, the model has four stages, with the third and

fourth having taken shape only as Filippo, Tony, and their colleagues utilized the then-existing model.

I would argue that the discovery of the two additional stages was a product of the dynamics of the model itself. Application of the model's core concepts drives learning and the discovery of more sophisticated models. For example, application of *Open Market Rules* for effectiveness in Stage 2 drives learning about new business capabilities, which helps move an organization from Stage 2—Effectiveness to Stage 3—Innovation. Application of the *Dynamic Operating Engine* drives learning on how to create a dynamic organizational DNA that helps move an organization from Stage 3—Innovation to Stage 4—Leadership (see Chapter 14).

I have little doubt that if the authors write an update of the book in ten years, there will be one or two more stages to the model they present. That is because as they use the book's model, its use will help them to learn and to advance their thinking. I have enjoyed watching the thinking thus far take shape and be laid out in this book, and I will be watching with great interest the further advances that its use will generate.

ROGER MARTIN, author, CEO adviser,
and #1-ranked management thinker

PREFACE

It is fascinating to see patterns emerge out of earlier, seemingly unrelated situations. That is how this book came about. After working for three decades or more each at Procter & Gamble, the two of us stayed in close touch in our next adventures. As we advised boards and Fortune 500 CXOs, or taught digital and process transformation, we kept swapping observations. Ruminating over the occasional beer in New York or Cincinnati, we started to notice similarities in the advice we were offering our respective clients. At first, we wondered whether this was due to experience bias (i.e., to a hammer, every problem looks like a nail). However, it became obvious quickly that this wasn't the case. There were indeed patterns in the problems faced in process operations and transformation. It was just that we could recognize them quickly, having lived through them as we developed and ran one of the biggest success stories in Global Business Services and IT transformation.

Then a second pattern emerged. The need to transform business processes was growing exponentially. This made sense, for it reflected a shift in the attitude of leaders regarding the importance of digitized and streamlined operations. Whether these operations are related to closing books, managing people, or operating supply chains, there is today a widespread urgency to transform them. Digitally native companies, especially those that play in the physical world, like Amazon, have demonstrated clearly that internal operational effectiveness can be a competitive advantage. The question for the two of us was what to do with that observation.

That's when we were struck by what was perhaps the most important

set of patterns. All our advisory, teaching, and speaking work presented common patterns that would fit a finite set of models. Those patterns related to improving business processes in ways that we had developed intuitively and used at P&G and elsewhere. Those common patterns were the basis for what we kept advising others on. The demand for them told us they were relevant and helpful to others. We just needed to get those patterns out of our heads and into the open world.

That led to the formation of our company, Inixia. Through that company, we document, train, and certify executives from the largest organizations in the world on managing business operations and shared services. We apply the best, proven methodologies to professionalize operations. And while Inixia has been extremely successful, in time we felt that our work was incomplete. The approaches and models for revolutionizing business operations needed to be put further out into the open domain. In today's disruptive world, ideas and insights are resources that become more valuable if they can circulate freely and if others can build upon them. That's where this book comes in. It is our humble attempt to share our insights and resources so that others can benefit from, evolve, and improve the model for revolutionizing business operations. This is an important topic amid the fourth industrial revolution. We hope this book will add to the growing knowledge of how to thrive in this changing era.

This book is aimed at business leaders, public sector officials, and nonprofit managers. For simplicity in communications, it is addressed primarily to companies, but the concepts it contains also apply to public sector and nonprofit groups. The size of your organization and your level within it is immaterial. If your business has operations (whether they are related to finance, HR, or customer management), then you will find this book useful. There are clear patterns to how business operations can go beyond simple improvement and be transformed to become your secret weapon for winning consistently.

And best of all, you don't need to spend three decades to see the patterns.

To improve is to change;
to be perfect is to change often.

WINSTON CHURCHILL

INTRODUCTION

Why *Dynamic Process Transformation*?

KEY INSIGHT: Episodic process transformations are insufficient. Aim for continuous process transformation.

All organizations constantly sense and respond to changing needs; some are simply better at it than others. The oil company Shell did not start off in the energy industry; its origins in 1833 lay in trading sea-shells.¹ Nintendo, the electronic gaming company, began in 1889 as a playing card company, but like Shell, it evolved over the decades. Companies evolve to consistently win in the marketplace in two ways—by creating winning products in line with shifting customer needs, and by improving their operations to get their products to customers more effectively. The focus of this book is on the latter. There is a way to create enduring competitive advantage by revolutionizing business operations. And it involves solving the challenge of creating unbeatable, constantly evolving business processes.

Some of you may challenge that assertion right away. Isn't a winning product much more important? After all, even if the Microsoft Zune MP3 player (remember that?) had been supported with the most effective business operation in the world, it would never have come close to the success of the legendary iPod. That is fair, and we'd like

to be clear up-front that this isn't a case of either/or. Winning organizations evolve both products and business operations. Unfortunately, innovating on products tends to be sexier than transforming business operations. The former gets a disproportionate share of attention. We need to correct that—it is time to give transformational business operations their due.

Business Operations Grow Complex, Rigid, and Siloed with Time

The issue with the business processes of every company—in operations of product development, production, manufacturing, sales, finance, information technology, human resources, and so on—is that they quickly become obsolete due to ongoing changes in the marketplace, technology, or capabilities. These business processes grow more complex, rigid, and siloed over time. That sets up a dangerous sequence of events, as follows.

1. Business processes become obsolete.
2. One-off transformation programs are kick-started to reengineer, standardize, or automate processes. However, these rely on having the right prime mover to sense and sponsor this change.
3. Business transformation programs, even if initiated, fail to deliver 70% of the time.
4. Meanwhile, if an economic crisis, industry disruption, or global crisis occurs (e.g., the COVID-19 pandemic), the company is caught flat-footed by competitors who have already evolved their operations.

Sound familiar? It should, because this occurs in all types of organizations—big multinationals, small and medium-sized enterprises, government agencies, and nonprofits. This is inevitable, since it reflects the long-established business rule that “Organizations Are Organisms.” And if organizations are indeed organisms, then Darwin's famous words should apply to business: “It is not the most intellectual

of the species that survives; it is not the strongest that survives; but the species that survives is the one that is able best to adapt and adjust to the changing environment in which it finds itself.' Our task, therefore, as leaders is to prepare for "survival of the fittest," not just by being episodically fit via periodic transformation programs, but by being continuously fit via *Dynamic Process Transformation*.

Introducing...*Dynamic Process Transformation*

So, if dynamic business processes are required, then how do you achieve them? To foster lasting evolution in internal operations, you need a mechanism to prevent business processes from becoming obsolete in the first place. You need a dynamic, living model for constant process evolution and optimization. The *Dynamic Process Transformation* model achieves that.

It addresses the issue because it gets to the root causes of the recurring obsolescence of business processes. First, even the best business process design can become stale if it doesn't constantly compare itself with the most disruptive new ideas across companies, and more importantly across industries. Second, functional business processes tend to be optimized within their silos. That is a problem, for it leads to suboptimization at the holistic end-to-end level. And finally, unless there is a disciplined methodology to drive this constant reoptimization to every person in the operation, it leads to episodic business transformation. These three root causes of obsolescence are important to note, because we will shortly base our three drivers of *dynamic processes* on them.

The *Dynamic Process Transformation* model provides self-improving, living transformation, which sets up a positive spiral of agility, efficiency, and effectiveness. Existing approaches of "transform → get obsolete → transform again" simply cannot deliver this. This becomes glaringly obvious during disruptive times, such as the 2019 pandemic. For most businesses, the COVID-19 pandemic highlighted their ability (or lack thereof) to change rapidly in the face of adversity. This was true of large behemoths like Amazon as well as local mom-and-pop retailers.

A local small business in Cincinnati, Ohio, had opened a wine shop just two months before the pandemic struck. With financial disaster looming, it relaunched itself as a successful wine and spirits home delivery business within a month. Whether it was a neighborhood shop or Amazon or Zoom videoconferencing, some businesses were clearly better positioned to turn adversity into opportunity. A major common thread across all these was the readiness of their internal operations to meet new customer realities.

Drivers That Make Business Processes Dynamic

Adaptable companies have specific qualities that result in dynamic business processes. Based on research into the differences between market leaders and laggards during economic crises, and our collective seven decades of experience in running Fortune 20 operations, we have crystallized them into three distinctive drivers of dynamic business processes (Figure 1). These are:

1. *Open Market Rules*
2. *Unified Accountability*
3. *Dynamic Operating Engine*

***Open Market Rules* for business processes:** To understand the concept of *Open Market Rules*, let's contrast how most businesses work with their *external* customers, as opposed to how their functions, like finance and IT, work with their *internal* employees. Let's start with the fact that a business cannot compel its customers to buy products. Instead, it focuses on creating product value so that customers *want* its products. In contrast, internal functions rely heavily on mandating that their employees use particular business processes (e.g., they dictate the steps that must be followed to process a customer's order, and the software tool that must be used). To be clear, we are not about to suggest that the proven strategy of streamlining and standardizing business processes needs to be abandoned in favor of allowing every employee to do their

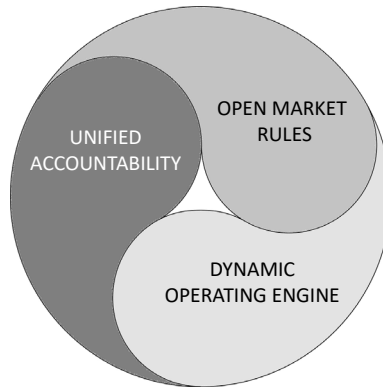


FIGURE 1: Drivers of *Dynamic Process Transformation*

own thing. Far from it. In fact, the word “rules” in the heading “*Open Market Rules*” was deliberately chosen to highlight the need for clear regulations. The point being made is that these rules need to be determined by open market competitive forces; overreliance on mandates and “one-size-fits-all” business processes must be avoided.

To be fair, when organizations first start to standardize their internal business processes, they may need to enforce certain specifications. For example, the templates used to process customer orders must have certain standard fields—order number, date, and so on. However, in our experience, this reliance on mandates and one-size-fits-all processes turns into a liability when some parts of the process need to change. When processes rely too heavily on mandates, the efficiency gained from top-down standards comes at the cost of ignoring valid change signals from employees, technology alternatives, and best-in-class benchmarks. This results in outdated business processes getting calcified, or in an unhealthy compromise between standardization and specific business needs.

Leaders of dynamic process operations use well-established and accepted *Open Market Rules* instead. They incorporate elements of the mindset that companies use *externally* with the consumers of their products. For instance, a consumer-centric company like Apple builds trust with its customers by being in touch with their needs, by

constantly evolving product offerings, by being transparent about its products, and by effectively *pulling* the customers into their offerings. Apple couldn't possibly *push* the product onto them, nor would they want to. Similarly, dynamic process leaders will be mindful to blend the minimally mandated "push" of legal, ethical, and corporate standards with the open market forces arising from employees, competitors, technology capabilities, and external benchmarks.

Unified Accountability: A key reason why companies like Amazon, Zoom, and the aforementioned local Cincinnati wine retailer are nimble is that they have been able to place limits on internal organizational silos. Amazon could not possibly have hired hundreds of thousands of people, added a ton of new delivery infrastructure, and introduced new IT capabilities during the pandemic had human resources, supply chain, IT, and finance been unable to move together rapidly as one unit. The challenge, especially for large organizations, arises when the goals for one function (e.g., managing capital investments for the finance function) become misaligned with those of another function (e.g., the need to rapidly buy more delivery vehicles during the pandemic). To be clear, functional organizations within the company play vital performance, efficiency, and compliance roles. You do want finance to strictly manage capital investments and supply chain to ensure high delivery service levels. The challenge is to optimize decisions that must cross functional silos. That's where the principle of *Unified Accountability* comes in. That principle drives clarity of ownership for end-to-end business process outcomes. It prioritizes overall business results over siloed considerations.

To be clear, functional organizations do have their merits. They are established structures, and their procedures, standards, and measures have been developed over decades. They exist because they are very effective, especially in stable environments. However, there is a downside when it comes to end-to-end business process optimization. Siloed business processes within companies inevitably slow things down and fall out-of-sync as the business grows and becomes more

complex. The trade-off between speed and scale of business processes is a well-known phenomenon. It needs to be approached with finesse. For instance, you cannot just sweep up all functions (finance, IT, supply chain, etc.) under one owner and assume that the silo problem has been solved. Detailed cross-functional business processes must be re-designed at a very granular level.

Another known trade-off relates to innovativeness versus stable structure. It's important to acknowledge that this is an inherent paradox for large-scale business processes. Dynamic business processes require ideas to germinate from all parts of the organization (as in “let a thousand flowers bloom”). However, stable processes require a deliberate structure and defined standards. In our experience, this trade-off is better managed when the organization has a clear single owner for a given end-to-end business process.

These two paradoxical issues—speed versus scale, and innovation versus stability—point to why a *Unified Accountability* model is required. It does address and reconcile them.

Dynamic Operating Engine: Let's assume that an organization is good at setting the right business goals driven by *Open Market Rules* and also avoids siloed behavior via *Unified Accountability*. It faces one final business process adaptability challenge before it can deliver sustained operational excellence: it needs an operating model that enables its people to consistently translate strategy into action. Functions like finance and HR have fragmented and evolved origins, and unsurprisingly, most companies have a multitude of operating styles. The ways in which daily operations, continual improvement, financial costing of processes, and so on are conducted can vary. Without a consistent operating model, driving constant change is hard. The only way to resolve this is via a methodology that converts the constantly changing business process goals into consistent and repeatable day-to-day employee actions that together deliver excellence in execution. This is what we refer to as the *Dynamic Operating Engine*.

Additionally, this operating engine binds together the people who

may have come from siloed functions (finance, supply chain, IT, HR, etc.), as well as different tools and capabilities, into a culture of “one-team, one-dream.” It codifies approaches to dynamic business processes evolution, besides generating an agile employee culture of swift responsiveness and proactivity. In this way, it ensures that the business operations change dynamically over time, without the need for episodic jolts of course correction.

To illustrate how these three drivers—*Open Market Rules*, *Unified Accountability*, and *Dynamic Operating Engine*—can come together to form a lasting set of dynamic business processes, we examine Procter & Gamble’s market-beating performance under A.G. Lafley, one of the most lauded CEOs in corporate history.²

Procter & Gamble’s Restructuring Program

Early in the year 2000, P&G was in real trouble. In the preceding years, there had been a realization within the company that it needed to restructure.³ Revenue growth, which had varied between 1.4% and 5.5% between 1995 and 1999, was well below P&G’s internal target of 7%. Earnings per share (EPS) had fallen well below the goal of 14% to 15%. The organization design of the previous decades had gone stale and become a bottleneck to growth. At the end of 1998, a six-year corporate restructure program, futuristically called *Organization 2005*, was announced. It would substantially redesign the company’s structure, work processes, and culture.

The trigger for change was this restructure program, and its effects would be long-lasting. A.G. Lafley took over the company in June 2000 to complete that restructure. Within the next ten years, it had more than doubled its sales and market capitalization, making it one of the five most valuable companies in the United States and among the ten most valuable companies in the world. What happened during that period is highly instructive for our model of *Dynamic Process Transformation*. Underpinning this sustained business performance was a finely choreographed dynamic business process transformation in which every

function and business unit—and, ultimately, every employee—“played their position.”⁴

How Procter & Gamble Organized for Dynamic Business Operations

The concept of *Dynamic Process Transformation* drivers did not exist at the time, so it’s fascinating to see how completely the strategies adopted by P&G fit this new model. Let’s illustrate how the specific actions taken would fit each of the three drivers.

Open Market Rules: The principle driving the organization design was simple. Each of the company’s three main activities—product lines, local country sales, and business process operations—had to be organized to compete directly in the open market. That meant that the company’s structure, as well as its performance metrics, had to be set up along these three axes:

- **Global Business Units (GBUs):** P&G moved from four geographical business units to seven GBUs based on global product lines. That put the responsibility for strategy and profit on the brands.
- **Market Development Organizations (MDOs):** P&G established eight MDO regions with the objective of tailoring global sales and marketing programs to compete effectively in local markets.
- **Global Business Services (GBS):** Operational functions such as human resources, accounting, order management, procurement, and information technology were consolidated from separate geographic regions into one corporate organization. The \$2.5Bn Global Business Services organization would later be led by co-author Filippo Passerini.

For each of these three organizations, the open market performance rules were very clear. GBUs had to deliver top-tier performance within their industries. MDOs had to add about two additional percentage points of growth. GBS had to deliver effective and efficient process

operations. Additionally, a thin layer of Corporate Function organizations (HR, IT, finance, etc.) was retained, for compliance, governance, and capability building within their respective areas.

Each one of these organizations had to win in their respective “markets,” based solely on the success measures of their “customers” (i.e., the consumer, the retail clients, and the internal employees / business operations respectively for GBUs, MDOs and GBS).

Unified Accountability: The three-axis matrix organization structure facilitated unified accountability, thus delivering a sustained decade of unprecedented company performance.

Here’s how *Unified Accountability* became a force multiplier to operations. Under P&G’s previous structure, siloed organizations and reward systems hindered growth. Regional and local country businesses had profit and operating power. The result was entrenched geographic silos that prevented strong products like Cover Girl, which had been acquired earlier, from being globally deployed for about a decade.

The old matrixed structure also created silos among the global functions. Thus, for instance, while Supply Chain made strides in improving manufacturing costs and reliability, R&D’s reward system favored developing premium-price products, despite consumers becoming increasingly price sensitive.

Under the new design, the restructure program delivered clear and unified accountability for business outcomes. Complete accountability for products (e.g., Laundry) now rested with the GBUs. Full accountability for country or regional issues (e.g., local selling, talent and compliance issues, and minor changes to marketing and products) resided with the MDOs. And unified accountability for internal business services (e.g., common services ranging from accounting to HR to order management) resided with GBS.

Each one of these organizations was responsible for its respective goals and objectives, end-to-end; at the same time, their interdependency was clear to all.

Dynamic Operating Engine: Every operating unit—whether a GBU, an MDO, GBS, or Corporate Functions—developed operating models in line with the newly designed corporate structure. It’s best to illustrate this with the example of GBS.

The context of GBS was somewhat unique. This organization simply did not exist prior to the restructure. Initially, it was carved out from various functions (HR, finance, etc.) or geographies (US, Germany, etc.). At the start, there wasn’t an operating model for GBS to work as a single unit. As a result, in its initial days, GBS was more of a federated collection of functional service leaders. That changed within the first year. Driven by the mission to deliver competitive costs and functional services, GBS set up offshore service centers in Costa Rica, Manila, and Newcastle. As work started to move from historical geographic offices to the service-center back offices, an operating model began to emerge. GBS could be reimagined as if it were an internal services company. It could take in service requests from P&G business units (e.g., monthly closing of financial books, or employee payroll, or email services) and then decide how to scale this work, optimize it, and deliver it via the three service centers in Costa Rica, Manila, and Newcastle.

In other words, the employees within GBS changed from working for a function (e.g., HR or finance) to working in the business process services industry (e.g., payroll services industry or financial closing services industry). That was a subtle but powerful shift. The *Dynamic Operating Engine* in the latter empowers you to work across functional silos, geographic boundaries, different sourcing options, and disparate solutions, with a goal of delivering an efficient, effective, and value-creating “product/service.” So, for instance, a person who had always run payroll operations could now think of themselves as if they were virtually the CEO of a payroll services company. The difference in mindset, accountability, and ability to innovate was significant.

Over time, this came to be referred to as “running GBS as a business.” This approach was directly responsible for delivering best-in-class results consistently and for P&G’s GBS being recognized as #1

in the industry. P&G incorporated into the GBS *Dynamic Operating Engine* all the practices expected in a regular business, such as account management with internal P&G business unit clients, annual service product strategy (e.g., annual payroll service strategy), benchmarking, disruptive innovation, and service product pricing, as well as a clear and ever-evolving value proposition for all “GBS products.”

This model fueled a positive spiral of transparency between internal process operations and the business, as well as value creation through cost reduction, improved service quality, and new business-building capabilities.

The Effect of Dynamic Business Operations on P&G Business Results

The cumulative effect of every new P&G organizational unit playing to peak performance was to deliver consistent and sustainable competitive advantage. With Lafley leading the company throughout the 2000s, P&G more than doubled sales. During that time, the company’s portfolio of billion-dollar brands grew from 10 to 24 (including former brands Folgers and Actonel), and the number of brands with sales between \$500 million and \$1 billion increased fivefold. Interestingly, the business top line and profit growth in the P&G beauty segment exceeded that of a Wall Street darling at the time—Apple—for the same period.

As this example makes clear, the drivers of *Dynamic Process Transformation* are extremely powerful. How to go about applying this model in a step-by-step fashion will be the focus of the rest of the book. The question for most business leaders today is not whether we should be consumer oriented, externally focused, or innovative. All three, it goes without saying, are inherent in our jobs. The question, rather, is how a company’s people can go about transforming an operating model to support a business model within their unique situation. We need a road map to help translate key objectives into execution. That’s where the *Dynamic Process Transformation* model, described in the remaining chapters, comes in.

How to Read This Book

This book was designed for business executives who are seeking sustained competitive advantage for their organizations.

In an ever-changing world, the desire to implement a successful process transformation and/or digital transformation is valid. If executed successfully, it will help the business succeed in the near term. Therein lies the issue. The world continues to change even after your transformation program has been executed. This book is for strategic leaders who understand this; they want to build operations that will last. As change cycles accelerate, the efficacy period of one-off business process transformations gets shorter and shorter. Strategic leaders demand a more enduring competitive advantage.

This book sets up a road map that will enable you to lead your organization into sustained and ongoing transformation. It will also provide you with tangible steps and tips based on the authors having executed this successfully in a Fortune 20 company. Part 1 of the book covers the *Dynamic Process Transformation* model and what types of issues it can address. Chapter 1 introduces a road map based on a four-stage model of maturity for dynamic business process transformation. The good news for bold change leaders is that there is an optimal path to getting to dynamic business processes. It involves accelerating the journey across the four stages of maturity. Chapter 1 will describe those stages and how to move from one to the next.

Chapter 2 starts with the dilemmas facing all leaders in business process transformation by telling three stories. For most leaders, the outcomes of transformation seem to be constantly moving as the business evolves. Change resistance is natural, but make no mistake, that resistance must be overcome. Automation and technology become outdated almost before they are implemented, and thus the choices made are extremely consequential. As a result of all these challenges, by the time the transformation program is complete, it seems as if the landscape has changed again. Chapter 2 frames the issues that the *Dynamic Process Transformation* model seeks to address.

Parts II to V detail the four stages of maturity for dynamic processes. Each stage of maturity has three chapters that dig deep into the three drivers—*Open Market Rules*, *Unified Accountability*, and *Dynamic Operating Engine* respectively. This is intended to provide a playbook for all actions you will need to take as you move from one stage of maturity to the next.

Finally, Part VI on *Achieving Competitive Advantage via Business Operations* provides a plan of action. It presents the opportunity for the current generation of process transformation leaders to create a successful legacy for their people and their businesses.

The next chapter introduces the four-stage *Dynamic Process Transformation* model and outlines how leaders can follow a proven path to accelerating their transformation journey.