

Q5

Point of view

Unlocking organisational health (not trauma) through strategic operating model design

This article provides **three essential principles** that every leader needs to know to achieve sustainable cost optimisation through their operating model design program.



Efficiency is crucial in the current business landscape of rising costs, inflation, and interest rates. Organisations are scrambling to optimise their costs to survive. But the real challenge lies in maintaining the overall health of the organisation during this process.

In order to succeed, leaders must view sustainable cost optimisation and organisational health as critical priorities that are seen as supportive of each other. At Q5, we address this challenge by organising capabilities in a way that enables the organisation to deliver on strategy and involve teams in the process, so they have a better sense of how the business makes money.

For any business leader looking to take a sustainable and healthier approach to cost optimisation, we've identified three essential principles as the greatest drivers for success, based on our previous work in this space.



Place the human experience above all to avoid sending the organisation into paralysis

TRAUMA

We've all heard the stories where organisations need to cut costs and leaders feel comfortable leaving critical decisions in the hands of consultants to deliver that golden number. This often results in a 'black box' setting, where vital employee input is ignored, leading to employee resistance, resentment, mistrust, and demotivation as they wait and wonder what their future holds.

INSIGHT

Any change can be daunting but especially one involving cost, so transparency throughout this process is critical. From our experience, it's important to take time to understand an organisation through its people and to let this inform the design process. Your people, in particular middle managers, are an untapped resource who often have a greater depth of knowledge than senior leaders and executives on day-to-day runnings. Additionally, a program serves as an opportunity to engage your people (employees and customers) to hear their point of view on what should be optimised. Take costs associated with your EAP (Employee Assistance Program) for example; some people may not value a subsidised gym membership and instead place greater value on paid 'mental health days'. By engaging with your people directly, you're given clear direction on ways to cut cost.

SOLUTION

If the pandemic taught us anything, it was to account for the individual above all else, and it should go without saying that for any program it is crucial to be open and honest about what you are trying to achieve, sharing why you're doing this, and what the long-term benefits and opportunities are. By engaging your people, you are giving them the voice to contribute to change and giving yourself an understanding of the brilliance in your own backyard (as opposed to best practice). Put your people first and everything else follows.



Don't rush to cut and avoid knee jerk reactions

TRAUMA

Take the airline industry for example, which during the pandemic was forced into making a massive number of redundancies. However, when travel opened back up, many airlines lacked the workforce to deliver a pre-pandemic quality of service, creating trauma for their customers who experienced huge delays and their staff who were under immense pressure to meet these new (and often) unrealistic demands.

INSIGHT

When organisations don't move beyond a 'cost out' lens, we find they fall short and often end up revisiting the process not long after their initial attempt. This is because they lacked creativity to develop and implement a solution that is sustainable and different to what they had before. For us at Q5, an operating model design program doesn't mean reworking what you already have, but instead, reimagining how to organise capabilities to enable them to deliver the strategy and support a healthy organisation long into the future. This means challenging how things are done now and to be creative in the approach.

SOLUTION

To achieve sustainable cost savings, organisations need to adopt a long-term perspective and foster a culture of innovation and creativity. We don't deny it is challenging to not only consider 'what can we do less of' but also 'how can we do it differently?' and 'how do we shape our new operating model to support this?'. Cost optimisation without creativity puts organisational health at risk.



Cost doesn't exist in isolation

TRAUMA

Tunnel vision on cost has significant long-term effects on the health of an organisation. We've seen it before where businesses have cut costs without considering the other factors that don't appear to directly relate. Take training and development programs for example - these are essential for a skilled and engaged workforce. However, if the spend available for these programs is reduced, employees will become less engaged and motivated, while the organisation will struggle to retain and acquire talent as their incentives are not attractive.

INSIGHT

There are many factors that should be considered alongside cost during a design process. Take revenue for example. We know not all costs are created equal, so reviewing revenue alongside cost provides critical context as well as insight and understanding around opportunities that should be tapped into during the process. In addition to revenue, it's also crucial for leaders to have a balanced conversation about potential trade-offs and opportunity cost. This includes prioritising the cost to:

- Deliver a quality service
- Keep customers and staff safe
- Hold onto and developing key talent

SOLUTION

It's not possible to separate these factors from cost and it's important for priorities (and tradeoffs) to be established early in the process to guide the program. Decision-making criteria as well as key organisational health indicators including customer feedback, employee engagement, quality standards, and compliance should be used to help guide the prioritisation and to understand the implications of decisions on organisational health.

Ready to unlock sustainable cost savings?

We'd love to learn more about your needs and explore the best opportunities for cost optimisation in your organisation

[Let's chat!](#)

Meet our expert



Mackenzie Clark

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As a Senior Consultant for Q5, Mackenzie enjoys collaborating with others to assist in overcoming organisational challenges. Her curiosity and ability to quickly adapt to many settings is evident when working with clients. During her time as a consultant with Q5, Mackenzie has been exposed to multiple industries, including technology, FMCG, and government sectors, across a range of challenging and complex projects.

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