OPERATING MODEL & DECISIONS

Your Transformation Is Run by the Culture It Needs to Change

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Everyone supports the transformation. Until it changes who gets to decide.

Then the agreed design needs another review. A function wants an exception. Responsibilities are disputed again. The project team is asked to align.

At the next steering committee, leadership wants to know why delivery is slow.

I have spent more than 20 years in supply chain consulting. This pattern still frustrates me. Companies commit substantial money to improving their supply chains while leaving the project to negotiate the authority it needs to do the work.

The company wants the result. Does it accept the change?

Better service. Lower inventory. Fewer write-offs. Less manual work.

Most leadership teams can agree on these objectives in minutes. Agreement becomes harder when the discussion reaches the decisions behind them.

Who can challenge a commercial commitment that the network cannot support? Who can require a plant to accept lower local efficiency for a better overall result? Who decides how much inventory the business will hold, and who has to live with that decision?

Those choices belong to the leaders who own the targets and the current organization. Too often, leadership sends them back to the project as a request for more alignment.

The team runs another workshop. It revises the operating model. It adds detail to the responsibilities. The same disagreement returns at the next review because the people involved still have the same incentives and the same power to block the outcome.

The project is being asked to negotiate a change that leadership has yet to authorize.

More governance can make this worse

A decision is agreed, then reopened by someone senior. It happens again. The team learns to involve more people before committing to anything.

Soon there are more reviews, more pre-meetings and more versions of the same material. Every stakeholder has been consulted. Responsibility for the result becomes harder to locate.

Leadership sees the delay and adds another checkpoint. This is how the transformation starts reproducing the organization it was supposed to change.

Only 30% of the digital transformations in BCG's research met or exceeded their targets and sustained the change. BCG identified leadership commitment through middle management, capable people assigned to the work and governance that supported delivery among the factors associated with success. BCG findings, 2020 research reported in 2021 · Methodology

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A sponsor's support has to survive a disagreement with another senior leader. A delegated decision has to remain valid when someone dislikes the outcome. Otherwise, the team will continue escalating.

Who is accountable for making it work?

In large programs, responsibility is often divided across process, data, technology and change teams. Each can defend its deliverables. Decisions that cut across them can still remain unresolved.

A process can be signed off while the data it depends on has no accountable owner. A system design can be approved while the business has yet to agree who will use its results to make decisions.

These gaps become somebody else's dependency.

The people leading the transformation need enough understanding of operations and technology to challenge those gaps. They also need the authority to require changes across workstreams.

Completing every workstream is a poor defence for a supply chain that still cannot be steered.

Ten years of postponement and a two-year deadline

A company spends ten years dealing with recurring problems without developing the ability to resolve their causes. People learn to escalate, work around the problem and keep the business moving. Managers become experienced at managing exceptions. Continuous improvement remains dependent on individual effort.

Then the company launches a supply chain transformation. Suddenly, the new processes, systems, capabilities and culture are expected within 24 months. AI is supposed to accelerate the whole thing.

The deadline has changed. The organization still has to learn how to work differently.

Repenning and Sterman describe how organizations get caught in a capability trap. Pressure for immediate output crowds out improvement, training and experimentation. Problems persist. Managers push harder for output, leaving teams even less time to work on the causes. Repenning and Sterman, California Management Review, 2001

Bessant, Caffyn and Gallagher studied continuous improvement in 103 organizations. They describe how teams build the capability by establishing routines for solving problems and sharing what they learn, then reinforcing them through practice. Bessant, Caffyn and Gallagher, 2001

In a supply chain, that learning takes place through the work. Teams investigate why performance differs from the plan, test changes, assess their effects and adjust how they operate. Leaders have to make time for this and support people when findings challenge established practices. Repetition matters because the next disruption will test whether the new behavior holds.

In McKinsey's 2023 survey, only 12% of respondents who had taken part in a transformation in the previous five years said the gains lasted more than three years. McKinsey implementation survey, 2023

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A two-year program can deliver substantial improvements. Its scope and pace have to reflect what the organization can do today and how much it needs to learn.

Leadership postpones this work for years, then asks the project why it needs so much time.

Then everyone starts talking about AI

Service is poor. Inventory is expensive. The organization struggles to anticipate capacity problems and manage trade-offs across its network.

The executive request becomes, "Show us the AI use cases." IT receives the question. Consultants bring a list. Vendors demonstrate bots, assistants and automated recommendations.

The company already needs integrated planning that connects demand, materials, capacity and inventory. It needs to spot problems earlier, compare feasible options and make decisions the business will execute. Heuristics and optimizers can help when the processes, data and skills are in place.

Yet the discussion shifts to whether the platform can do AI.

Automation, visibility, optimization and AI start appearing under the same label. Leadership expects fewer people, lower inventory and better service. The project is left to explain the connection.

A list of AI use cases can grow much faster than an organization's ability to run its supply chain.

Who takes responsibility for the nuts and bolts?

Someone has to work through how the supply chain actually functions. How demand becomes a feasible production plan. How capacity, lead times, lot sizes and inventory policies interact. How the planning model represents the network, and how decisions reach execution.

This takes detailed knowledge of operations, planning methods and systems. Changing one assumption can affect service, inventory and plant performance elsewhere. The work requires people who can understand those relationships and follow them across functional boundaries.

Then they have to get the changes implemented. That can mean revising operating practices, correcting the production model, changing system behavior and assigning responsibilities that several functions have previously left between them.

Calling this work “the basics” makes it easier to underestimate how much expertise and authority it takes to get it done.

AI needs a usable representation of the business, defined objectives and constraints when it supports operational decisions. Its recommendations enter the same processes and authority structures. It inherits the consequences of what the transformation has left unresolved.

There is no AI patch for that.

In McKinsey’s March 2025 survey, 21% of respondents at organizations using generative AI said they had fundamentally redesigned at least some workflows. Of the 25 attributes examined, workflow redesign showed the strongest association with self-reported EBIT impact from generative AI. McKinsey survey, March 2025

We consultants have a responsibility here

We know how to produce another use-case presentation. We also know when a client needs a difficult conversation about leadership, responsibilities or capabilities.

If we know what is blocking the transformation and still lead with another AI demo, we are part of the problem.

The same applies when we accept an impossible assignment. Accountability for delivery, while decisions can be overturned anywhere. An end-to-end design, while every functional boundary is protected. A business transformation led as a technology implementation.

We owe the client a direct assessment of what the organization has to change and what will happen if it refuses.

The transformation starts with what leadership is willing to change

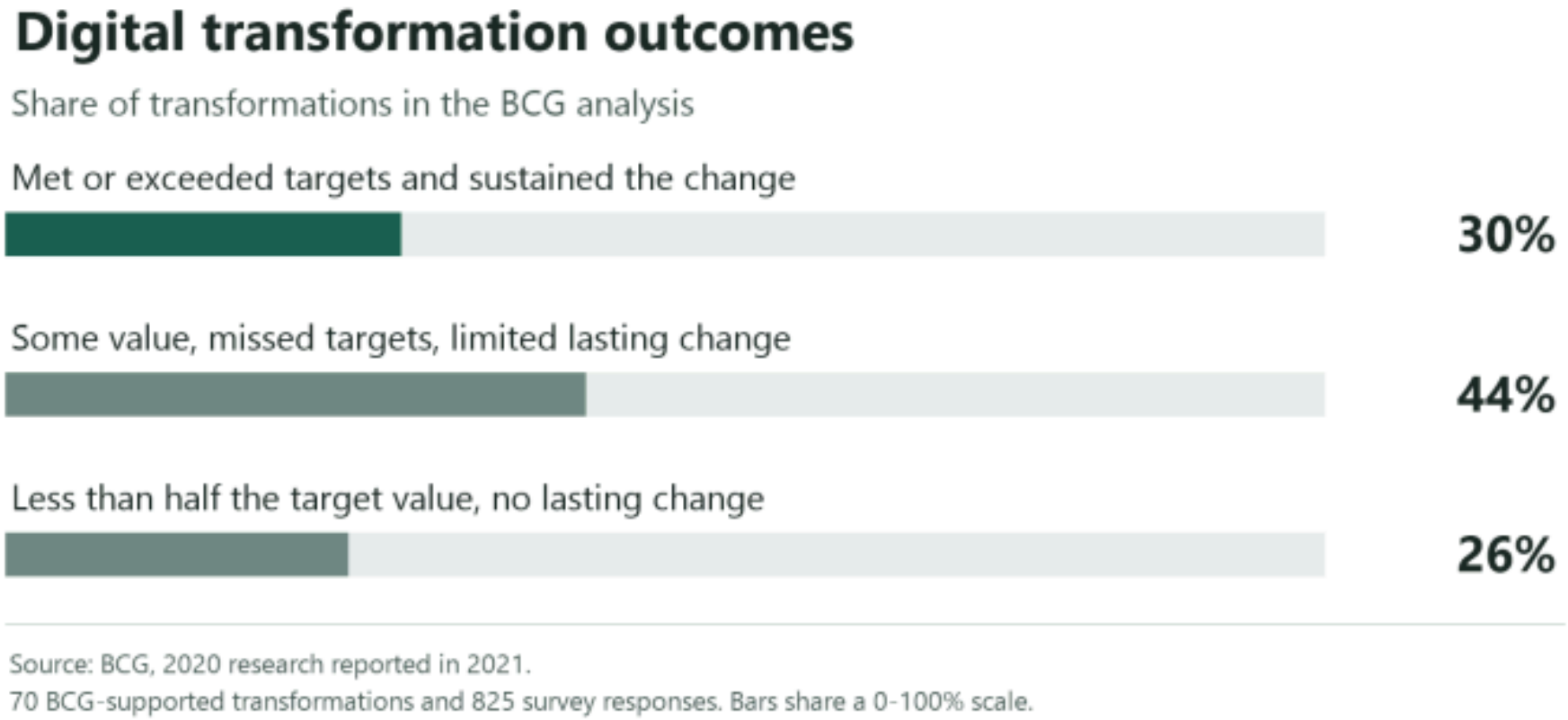
The executive team needs to decide early which responsibilities will move, which decisions will be delegated and which conflicts it will resolve itself. It needs to assign people who can lead the work and give them the resources required.

That may mean changing reporting lines, reallocating resources or revising performance targets. It also means backing decisions when individual functions object.

Then progress can be judged through the business. Is capacity influencing commitments earlier? Are inventory policies being applied? Are plants and commercial teams acting on an agreed plan? Are recurring problems leading to changes in how the supply chain operates?

A company can buy software and commission use cases while avoiding every one of these organizational decisions. **Before asking how fast the project can deliver, leadership needs to answer what it is prepared to change.**

Figure 1



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Figure 2



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