

## Opinion

# Evolve your operating model—it will drive everything



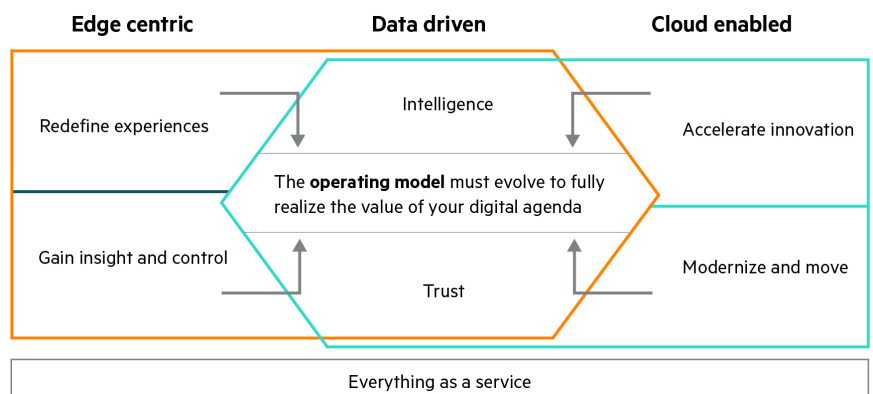
Why is a technology company so interested in the term operating model? Doesn't sound very "techy" does it? It so happens that through all the years of global experience Hewlett Packard Enterprise has built deploying and managing technology, the single biggest constraint is our customers' operating model.

How we help our customers imagine new horizons and seize the opportunity of the digital era is manifestly tied to the capability (some might argue the maturity) of "how we do things around here"—a regularly quoted synopsis of what an operating model is. And that conversation has come even more sharply into focus as we move into the age of insights powered by as-a-service business models.

I hope to convince you that your own operating model will regulate how you engage your partners to ultimately create value. While not going into the academics of what an operating model is, as there's a wealth of content and best practices already available, I do like the simplicity of the Operating Model Canvas. An extension of the Business Model Canvas, it allows the visualization of a high-level operating model, broken down into some constituent elements (acronym POLISM).<sup>1</sup>

To quote, the objective of the Operating Model Canvas is to "capture thoughts about how to design **operations** and an **organization** that will **deliver a value proposition** to a target customer or beneficiary. It helps translate strategy into choices about operations and organization." My version is that the operating model describes, "the things you do to create value." And that is a critical point because it begs the question, what value do you need to create?

Here's how we adopt the operating model to position IT for exploring the digital edge.



<sup>1</sup> [operatingmodelcanvas.com/](https://operatingmodelcanvas.com/)

**Figure 1.** The operating model is the key to the success of the agendas



In a traditional, or pre-digital organization, where IT is perceived as a cost function, the value might be as simple as workload availability (back-end focused). But as we pivot to organizations that leverage information and technology to gain competitive advantage, the value will shift toward the ability to develop and release new digital products and services (front-end focused).

This shift from back-end to front-end focused is well captured in a Gartner article called, *Designing and Implementing the I&T Operating Model: Components and Interdependencies*.<sup>2</sup> The critical inflection point is the transition from an IT operating model (Asset> Process> Service), toward the future of an IT operating model, which affects the organization well beyond IT. It is an operating model that embraces technology to the extent that it questions the underlying business model of the organization (Value> Invention).

Now look at your own organization and think about the value you create, or at least the way that value is perceived. Are you considered a cost, or an innovator? Someone who focuses on the bottom line or the top line of your company? Where are you on this evolution?

The answers to these questions really matter, not just to you but to how your partners can add value to you. HPE is a great case study in this debate because we occupy many different roles for our customers largely regulated by their operating model. HPE is an edge-to-cloud company, meaning that through HPE GreenLake you can consume workloads any place you need to deploy them—all the way out to the edge. But we also provide choice for our customers that are not yet ready for their operating model to take advantage of this.

You can still buy products and services from HPE that fulfill a more traditional buying cycle of up-front capital investment, where utilization is not linked to how much you pay. So, what value will you look for in a company like HPE? And if you hadn't already guessed, my assertion is that it will be your operating model that will dictate the answer, not be HPE's readiness and capability to help you.

For example, if your value inside the organization is equivalent to the asset level of the IT operating model, then you might turn to HPE simply to drive down the cost of that asset footprint. And that's a continuous journey, as we all know. HPE's ability to add value here is to help constantly challenge the performance, size, space, and power attributes of that footprint. If you are process-centric then you might look to HPE to provide you with more than just the asset—you might now need to unlock the value of our HPE GreenLake managed services organization—which can run your environment up to your desired level.

Our ability to add value here is to seamlessly integrate into your IT processes and free you and your teams up to set your sights on the next level. If your IT organization is service-centric, then you are more interested in the outcomes and the experiences, not the underlying technology that run services. Here, HPE delivers workloads such as HPE GreenLake for SAP HANA®, or industry workloads like Epic for healthcare providers, again delivered as a service.

<sup>2</sup> Gartner document ID G00742167, February 2021

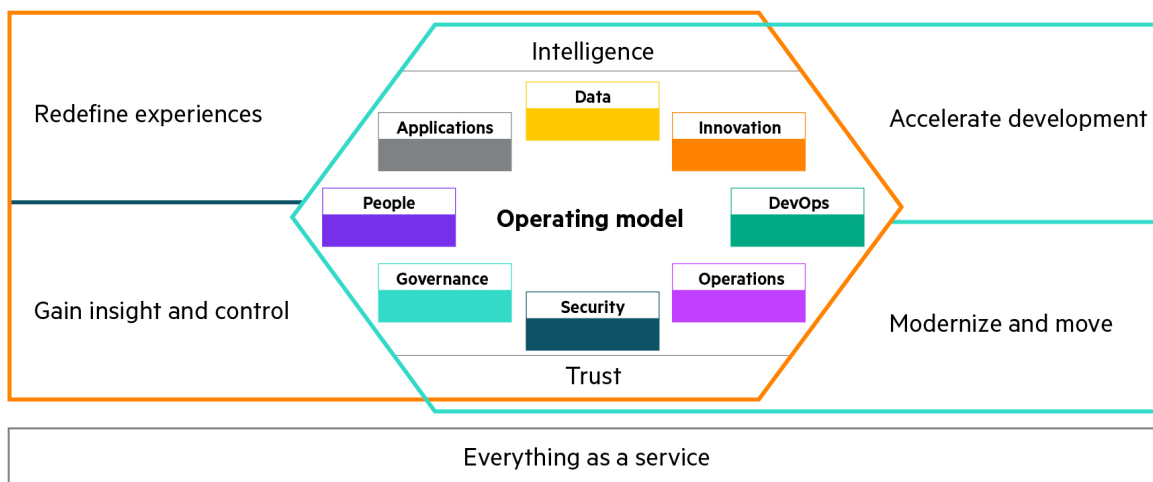
For those making the pivot toward value and invention, or companies that are looking to use IT to achieve competitive advantage and innovate new business models, we can work to coinvent with you. Look at how we are helping Continental explore the value of car sensor data in the automotive industry.<sup>3</sup> HPE's ability to add value goes well beyond products and services. It's a direct result of the line of business executives deciding to explore new business models and working with HPE to help them on that technology-enabled journey.

In other words, your own operating model, how you create value, and what that value is—directly impacts how far you can leverage the resources and capabilities of your supply chain to support your digital journey.

I use HPE as a case study only because it demonstrates my point perfectly. Next time, you look for a technology partner, or you are challenged to evolve from mere cost containment to value-based innovation, think about how much of a constraint you are in the equation—and challenge how you perceive and measure those partners around you that can genuinely help. Your operating model evolution is critically linked to how you engage your partners and your wider ecosystem to come with you on the journey.

To evolve your operating model, we've identified eight capability domains that can help you structure and prioritize your transformation efforts. The digital agendas you are pursuing, along with an assessment of your existing capability in each domain, will inform the priority you give to each domain. By adopting a common structure and language for capability progression, you can measure your own progress, and benchmark against best practice, and learn from a wealth of other organizations that we have guided through the same journey.

By taking the earlier representation in Figure 1, we can show how the capability domains enable the broader HPE Edge-to-Cloud Adoption Framework.



**Figure 2.** Operating model capability domains

<sup>3</sup> [hpe.com/us/en/newsroom/press-release/2019/02/hewlett-packard-enterprise-and-continental-launch-blockchain-based-data-monetization-platform.html](https://www.hpe.com/us/en/newsroom/press-release/2019/02/hewlett-packard-enterprise-and-continental-launch-blockchain-based-data-monetization-platform.html)





## Digital next advisors talk transformation

By **Craig Partridge**

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