



Whitepaper

Three critical dimensions to become a **product-** **centric organization**

September 2023





Content

Introduction	3
What do we mean by a “product- and service-oriented organization”?	4
Purpose and objectives of the transformation	6
How can we design this transformation?	7
How can we approach the transformation to products and services and measure success?	14
Conclusion	15
Authors	16

Introduction

Let us sit back for a moment and take a look at the world... We could describe the key to organizations' development and evolution with a single word—a word equally applicable to living beings in general: adaptation. However, there is an important difference, because in the business world, this adaptation requires an ever-greater swiftness on our part if we wish to exploit or mitigate the possible impact of these changes on the organization and avoid our extinction in the process.

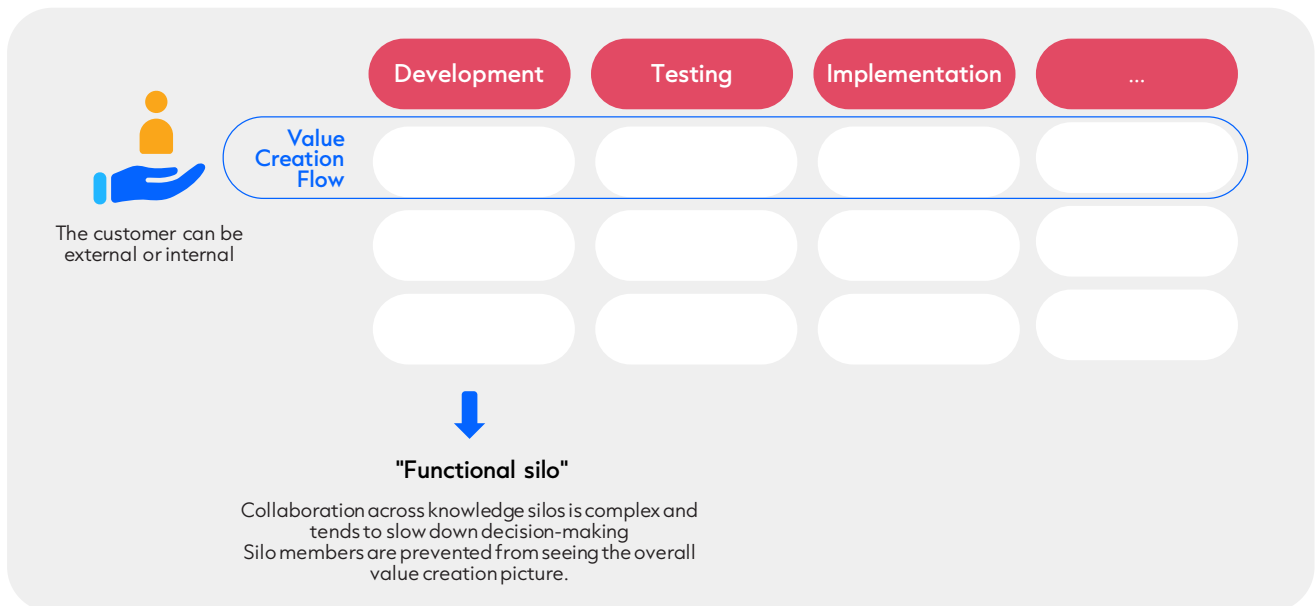
However, many business leaders feel that their organizations are not adapting fast enough to market changes and that it is critical to rethink organizational designs based on efficiency and individual rewards, in order to replace them with integrated processes that overcome silos and provide flexibility and agility. Our goal must be to build organizations that are focused on truly satisfying customer needs, where it is possible to gauge the value delivered and where that value serves as a basis for prioritization and decision-making, thereby motivating and empowering teams to the greatest extent possible, as it is they who are responsible for creating the value delivered to the customer.

In such a competitive market, characterized not only by rapid change but also by uncertainty, our ability to transform ourselves into a flexible and agile company will set us apart. To achieve this, we must be able to allocate our resources to serve the strategy in a flexible and straightforward manner, by developing our organizations to become high-performance companies. This is only possible if we completely transform the organization by orienting it towards products and services, which constitute the real value that we deliver to our customers: "Embrace change, execute with purpose."



What do we mean by a “product- and service-oriented organization”?

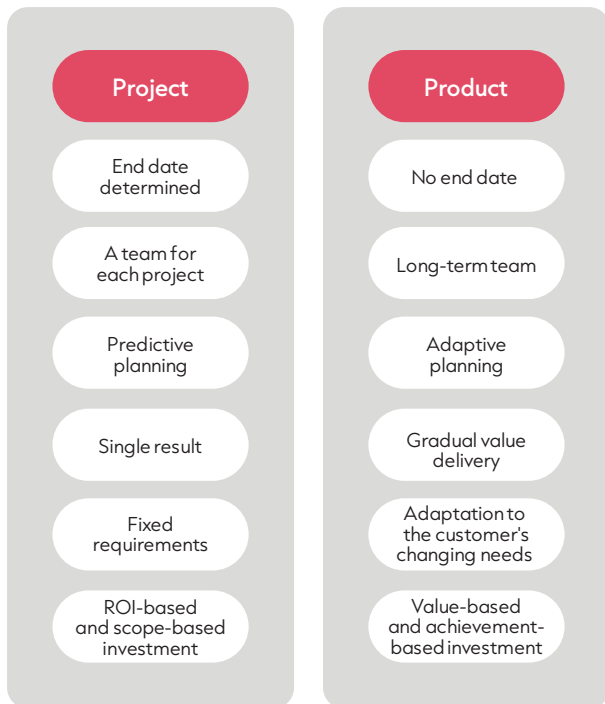
Under this label, we find an approach that structures the organization around existing products and services (e.g., payments, collections, loans...), instead of relying on specialized functions (e.g., development, testing, implementation...). Under this approach, the organization becomes an enabler for the product or service teams to deliver value to the customer, whereby these teams assume end-to-end responsibility for customer service, whether internal or external.



This model implies deep **changes in the company's governance**, especially if the organization was previously managed through projects. Let us take a look at some differences between the two management models:

- Products exist as long as they provide value to the company and **do not have a predefined end date**, as projects do.
- The teams assigned to the products must be **stable over time and have a pre-allocated budget** at least for RUN (maintenance, minor developments, and compliance-related aspects); unlike in the case of projects, where the teams are set up and dismantled as needed.
- Team stability allows for greater cohesion and a **high level of product and service knowledge, resulting in enhanced responsiveness and effectiveness in continuous product improvement**, as the team can incorporate technical debt and operational debt as part of their day-to-day operations.
- Product planning is different to project planning. The product will simultaneously receive multiple evolution requests that must be continuously prioritized, **allowing greater flexibility by not relying on a closed scope in the form of requirements**. Rather than rigid planning, product planning allows for the incorporation of new features and adjustments based on changing market and customer needs, which will be prioritized according to criteria such as customer value, business impact, and technical feasibility.
- In this way, product teams can **continuously provide value to the customer**, and in situations where the organization wishes to invest in new functionality, the team will expand its capacity by scaling with the planned investment.

Differences between project and product or service



As we have already mentioned, **at the heart of product organizations are high-performance, stable, empowered teams that have end-to-end responsibility for the company's various products or services** throughout their life cycle, including aspects such as incident management, compliance, regulation, architecture, security, availability, performance, quality, technical debt, customer satisfaction and experience, operations and costs, among others.

When can we say that a team is working in "product mode"?

1. Product teams deliver **MEASURABLE VALUE** continuously, with a clear mission, objectives, and indicators (Key Performance Indicators (KPIs) and Key Value Indicators-Objectives and Key Results (KVI-OKRs)).

2. They are **MULTIDISCIPLINARY** teams who have at their disposal everything they need to deliver value.

3. They are self-sufficient, self-organized, and autonomous, and are responsible for **HOW** things are done.

4. They share a **COMMON CULTURE** by applying those practices they consider most relevant to their day-to-day work (Scrum, Lean, Kanban, Design Thinking, Watergile...)

5. They have a **PRODUCT OWNER** who is a member of the team and has the capacity to decide what and **WHEN** things are done.

6. They are responsible for **CHANGE** (major evolutions and innovations) and **RUN**; accordingly, they design, evolve, deploy, maintain, and monitor their product or service autonomously

7. They have integrated **CONTINUOUS IMPROVEMENT** as part of their culture, leading them to reflect and improve in search of maximum efficiency in their delivery and the **AUTOMATION** of their processes. This includes continuous integration and continuous deployment (CI/CD), but also the automation and control of services (BPM, RPA, Control Models...).

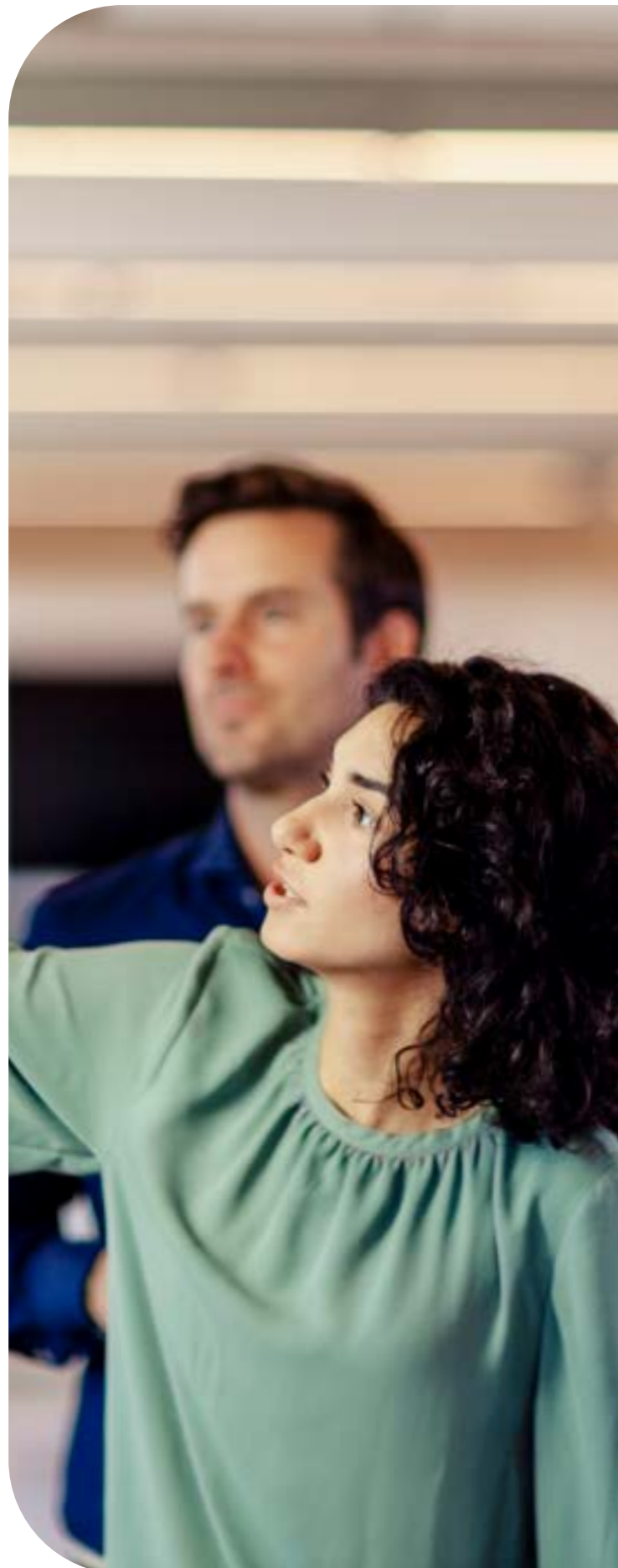
Purpose and objectives of the transformation

To compete and triumph in an ever-changing market it is crucial that we are able to allocate our resources optimally to serve the strategy in a flexible and straightforward manner, thereby releasing the value trapped within our organization.

The aim of product- and service-orientation is to focus on real customer needs, encouraging innovation and agility. By adopting this approach, it fosters enhanced utilization of available resources and talent, while providing a visible, consensual approach and clear accountability for work teams.

Organizations employing this approach seek these direct benefits:

- Increased customer focus, delivering more value and greater flexibility to adapt to market changes.
- Increased efficiency and productivity, reducing the time to market from the conception of a feature or component to its delivery to the customer, in a manner that is sustained over time.
- An enhanced customer experience, minimizing the number of incidents and complaints, while maximizing quality.
- Simplification of the organizational structure and the elimination of silos, fostering collaboration through high-performance multidisciplinary teams, drastically reducing dependencies.
- Increasing people's motivation through a culture of tolerance for mistakes, combined with leadership at the service of value delivery that empowers teams and enables them to perceive their own contribution.



How can we design this transformation?




To evolve towards a product-oriented model we must become an enabler for the delivery of value by the teams responsible for the various products and services. This implies profound changes in three critical pillars of the company:

- Operating model: this defines how people organize and collaborate to achieve the

company's strategic objectives, which includes decision-making and ensuring the objectives are met.

- Technological model: this seeks to provide product teams with the greatest possible autonomy, minimizing dependencies with other products and increasing the efficiency of their value delivery through automation.
- Financial model: this establishes the corporate policies that govern financial and budgetary decision-making, ensuring they are complied with throughout the organization.

Summary of the 3 critical pillars of transformation towards products and services¹

Operating model 	Technological model 	Financial model 
<ul style="list-style-type: none">• Product mindset• Product principles• Product maturity model• Team autonomy• Business-oriented OKRs• New ways of working• Aligned supplier ecosystem• Governance through Lean committees• Proactive management of dependencies	<ul style="list-style-type: none">• Platform orientation• Cloud• Continuous integration and continuous delivery• Hyper-automation• Convergence of architectures• Data-driven strategy• APIfication	<ul style="list-style-type: none">• Quarterly Business Reviews (QBRs)• Pay-per-use• Total cost of ownership (TCO)• FinOps• Value stream funding and value measurement

Operating model

- Co-creating the purpose of the transformation and the story behind the change we wish to promote within the organization. In our experience, this exercise should be carried out with the management committee in order to achieve an understanding and consensus among the leaders regarding what the transformation towards product-orientation entails, with a view to the organization's subsequent transformation.
- Standardized metrics: defining a set of metrics that allow the uniform measurement

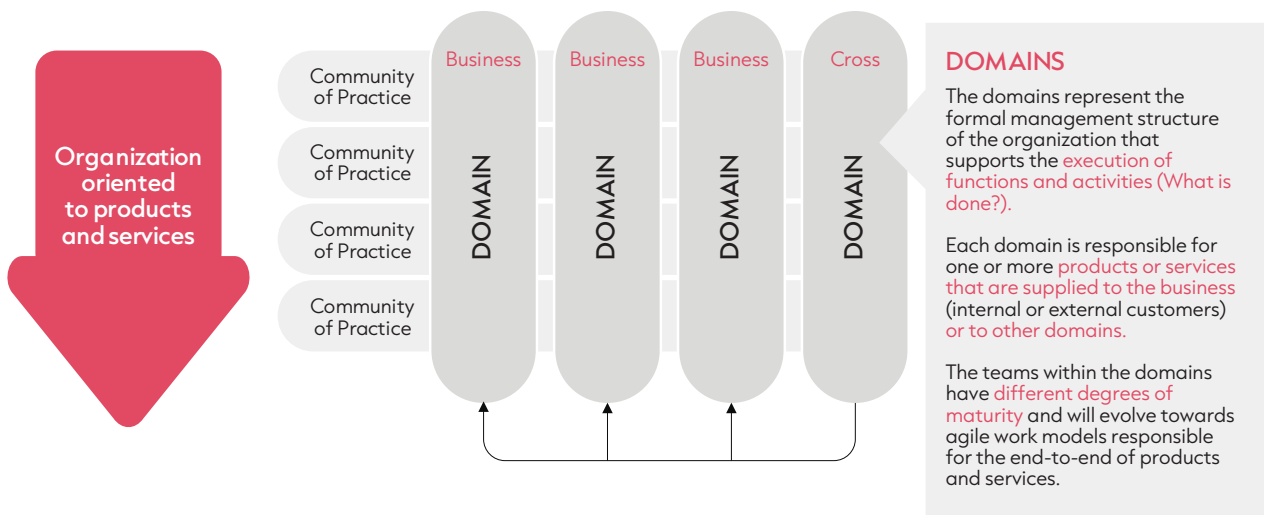
of the various axes of the products and services produced. To this end, we propose four major groups of metrics:

- Value metrics: more business-related, they focus on how products and services add value, whether to customers or to other work groups.
- Efficiency metrics: these are measurements that are used to understand how resources are used as well as productivity levels, including time-to-market, predictability, technical debt, and operational debt.

¹ The practice of Operational Excellence & Transformation in The Netherlands utilizes a different Organization Aspects model, based on 4 pillars instead of 3: organization & governance, processes, people & culture, and technology. If you are based in The Netherlands we recommend you to go to <https://www.eraneos.com/nl/nl/knowledge-hub/> to get the local version which differs a bit from this global one.

- Quality metrics: these seek to minimize the number of failures, incidents and complaints, which includes: the number of support tickets, number of incidents, average resolution time, and average recovery time.
- Satisfaction metrics: these help us to find solutions to improve customer perception, both internal and external, and include the Net Promoter Score (NPS) of the external customer, team satisfaction, and internal customer satisfaction.
- New organizational structure: when designing the new organization, we must consider two dimensions:
 - Vertical: this determines "what is done". In this area, we shall create business-oriented organizational units (e.g., a payment solutions area) and structural units, which are enablers and facilitators of the former (e.g., transformation or automation). A relationship model that enhances transparency, flexibility, and agility will be set up as a liaison between these new organizational components.
 - Horizontal: this determines "how it is done". In this area, we shall create communities of practice, areas of competence based on the roles and/or knowledge required to carry out the activity, which will ensure excellence, offering support to develop good practices and work standards that will be used by the different roles on the work teams. At this point, it is critical to align and harmonize the existing roles in the organization in conjunction with HR.

Summary of the new organizational structure



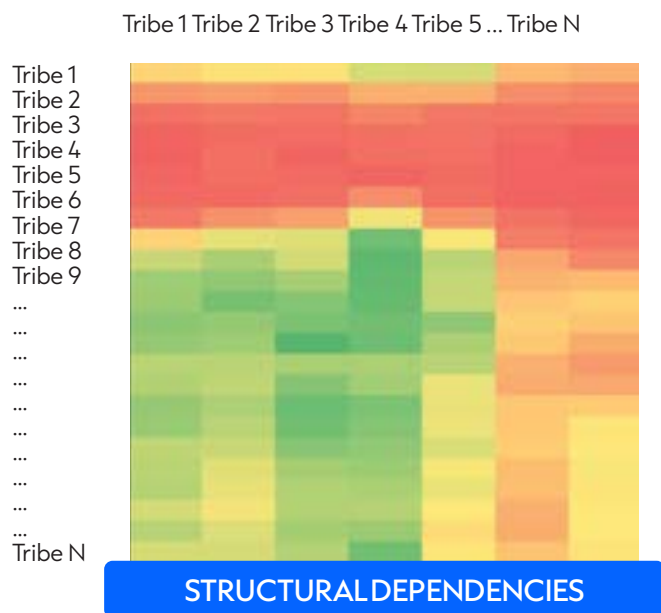
- Design of the product concept and the portfolio of mature products and services, by developing a product mindset within all the teams (focus on value, customer and market orientation, iteration and continuous improvement, responsibility for the complete life cycle), together with the principles relating to what it means for a product and service to be mature.

At this point it is critical to specify and reach a consensus on the principles that define what it means for a product or service to be mature from the organization’s point of view. We shall also define the next level of detail according to those principles, specifying the requirements that the products and services must meet to be considered “mature” within the organization, and the order in which they must meet these requirements. Examples include team autonomy and empowerment, minimization of dependencies, automation, and transparency, and tolerance for mistakes. These principles should be translated into explicit and verifiable requirements, which will serve as a transformation playbook, leading to an as-is analysis (the starting

situation), a gap analysis (what is missing for it to reach maturity), and how this gap will be addressed within a reasonable time frame and the priority to be given to it.

- Widespread use of new ways of working such as agility, Lean, Kaizen, visual management, Kanban, or Design Thinking, which—combined with multidisciplinary teams responsible for the complete life cycle of the product and service—will help us to enhance the adaptive and flexible nature of product orientation.
- Ecosystem of aligned suppliers, by establishing agreements with them to share objectives, risks, and rewards for meeting these objectives, and taking advantage of the knowledge and innovative capacity of specialist suppliers.
- Proactive management of dependencies, where “heat maps” can be generated with the most critical dependencies (both ad hoc and structural) to implement actions that allow greater autonomy in the medium and long term. To build these heat maps we must specify how to calculate each product’s “exposure” to each dependency, including the likelihood of occurrence, impact on value delivery, or the frequency and type of dependency (technical, management, among others).

Example of a heat map for dependency management



→ Creation of **specific action plans** to eliminate structural dependencies and improve those that remain.

Escalation to the Steering Committee of the main dependencies to create **working groups**.

In our experience, these key elements of the operating model must be co-designed by the organization's leaders in conjunction with the teams that will later implement them, thus seeking a realistic design that at the same time enhances the commitment and interest of the executing groups. To achieve this, it is essential to summarize all these designs in a single document—validated by management and shared with the teams—which will form the basis for the transformation.

It is important to mention that the operating model must also include governance aspects that have also been agreed upon with management, including issues such as the decision-making model and the committees, the sourcing model, capacity management, the people and team performance model and aspects such as compliance.

Technological model

In this section, we shall define the company's technology strategy, particularly as it relates to the cloud and APIs, as this is where we shall find the flexibility and performance we require. The organization must define and implement the following key points to be able to accommodate the teams in their quest for maturity and high performance:

- Define the cloud strategy and the Digital Manifesto that will govern software design and development, as well as the gradual migration of legacy products towards more scalable and "atomized" models in which specific parts of the software can be changed in production without the need to deploy the entire solution. To do so we shall focus on the following points:
 - Establish a "Digital Manifesto" for all software development that sets out our vision and clearly states the design, build, and deployment principles that the company wishes to implement in every product.
- Seek a future where architectures converge by integrating different systems and technologies into a unified architecture, thereby enabling interoperability, reuse, and efficiency in the delivery of products and services.
- Platform orientation, to build and design products and services based on a common technological platform as a solid and scalable base for development and deployment, seeking to reuse components and ensure agility in the creation of new solutions.
- Define the cloud computing strategy, which offers automation, flexibility, scalability, and access to advanced tools and services without the need for physical infrastructure; specifying the use cases and key suppliers that will meet the company's needs. We also believe that it would be useful to create a "Cloud Center of Excellence" and a "Cloud Culture" within the organization, headed by the appropriate community of practice.
- Define the company's APIfication Strategy and the API Economy, establishing the API hierarchy and the API digital catalog, while fostering APIfication. This will make it easier for products to provide application programming interfaces (APIs) that enable communication and interaction between different systems, applications, and services, thereby facilitating integration, interoperability, and the creation of broader product and service ecosystems.
- Define the "Developer Experience" and the "Delivery Process". This will allow the creation of a developer community that feels listened to and will enable the continuous improvement of the complete software life cycle. This point will include the definition and implementation of automated Deployment Pipelines with continuous

integration and continuous delivery (CI/CD), the Automatic Testing strategy, and the enabling of Platform-as-Code (Hardware, SW, and Monitoring), among others.

The “Developer Experience” is a concept that allows us to orient all infrastructure management—as well as its regulation and auditing—towards the development teams of the various products and services; a measure that seeks to transform the organization into an enabler of change towards production, thereby allowing the teams to deliver changes faster and more frequently. This speeds up the time to market of new products or features.

- Define the data strategy (including data governance) by seeking at all times to support the transformation into a “Data Driven” company, in which data are available with certainty wherever they are required, thereby enabling decision-making based on analyses and knowledge derived from the relevant data.
- And finally, we shall focus on the hyper-automation of processes and operations by combining artificial intelligence, machine learning, and robotic process automation (RPA), as key aspects to improve operational efficiency by reducing manual intervention in repetitive tasks.

QBR—quarterly business review—is a quarterly cycle that aligns the company’s strategy with the organization’s activity.

It optimizes the prioritization of economic resources (scarce, limited and subject to budget availability) and people.

OKR is an agile methodology that prioritizes the transformation activities and initiatives (CHANGE) that most contribute to the company achieving results in the following quarter.

Financial model

Finally, the financial model describes how budgets are designed in a product- and service-oriented organization, including which activities and costs are included, how activities are classified into “RUN” and “CHANGE”, as well as the different financing paths available under this classification and allocation scheme. It is important to remember that products and services must have an end-to-end vision and, therefore, teams must take responsibility for the cost of their products and services and, ultimately, their total cost of ownership, as described below.

Some of the main elements to be included are:

- Quarterly Business Reviews (QBRs): quarterly business reviews in which the organization’s financial and operating results are analyzed and evaluated, which allow us to assess business performance and make budgetary decisions for the next quarter based on compliance with OKRs of previous investments.

Main benefits



It allows for constant alignment of the company’s strategy with people’s activities.



Clear quantification of the impact on the business as a result of the commitments made under each initiative and the degree to which they have been attained.



A model for planning, forecasting, executing and reviewing initiatives to drive continuous value delivery.

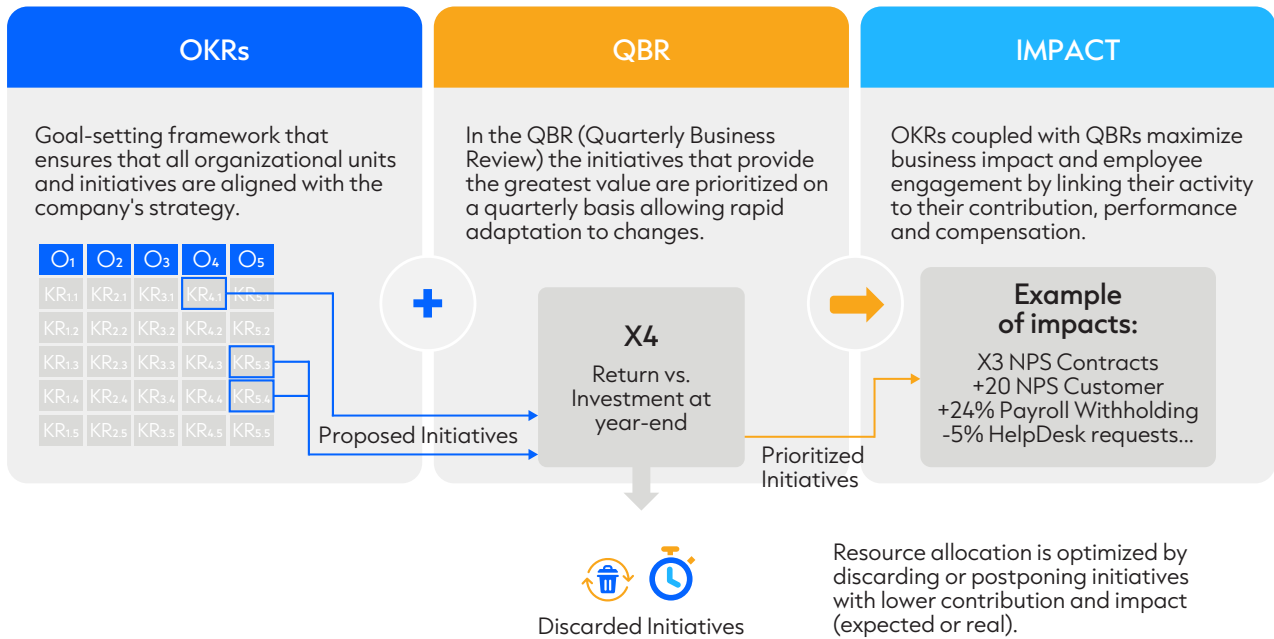


Transparency in resource allocation and prioritization.



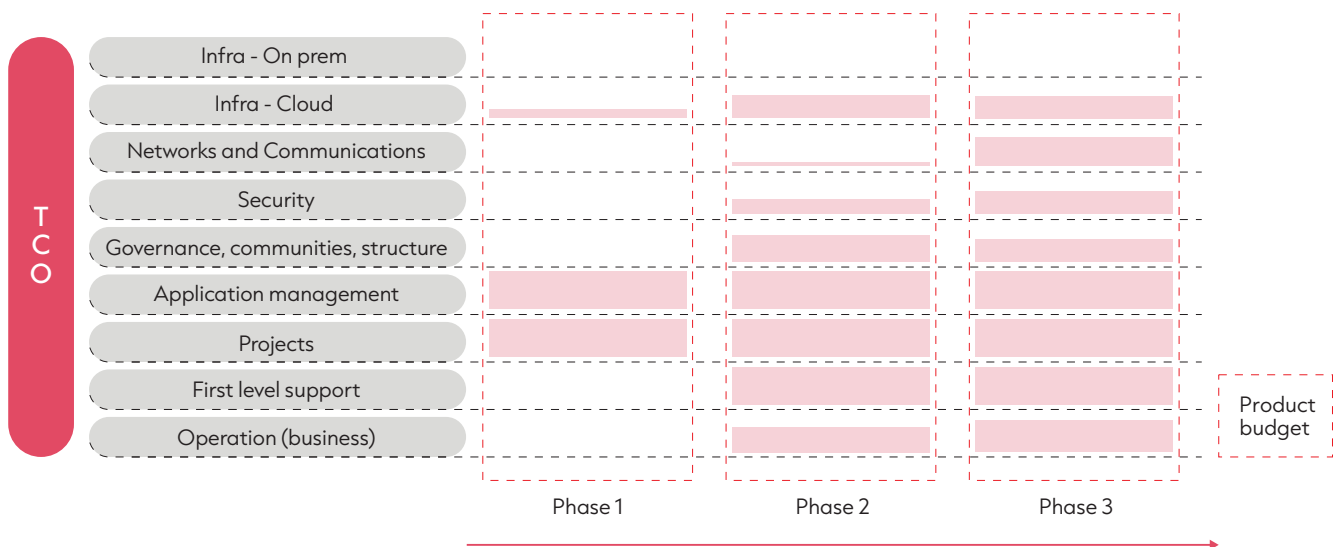
Equal opportunities for applicants and identification of synergies or dependencies between teams (functional or technical).

Highlights of the Quarterly Business Review and how they relate to the Objectives and Key Results (OKRs)

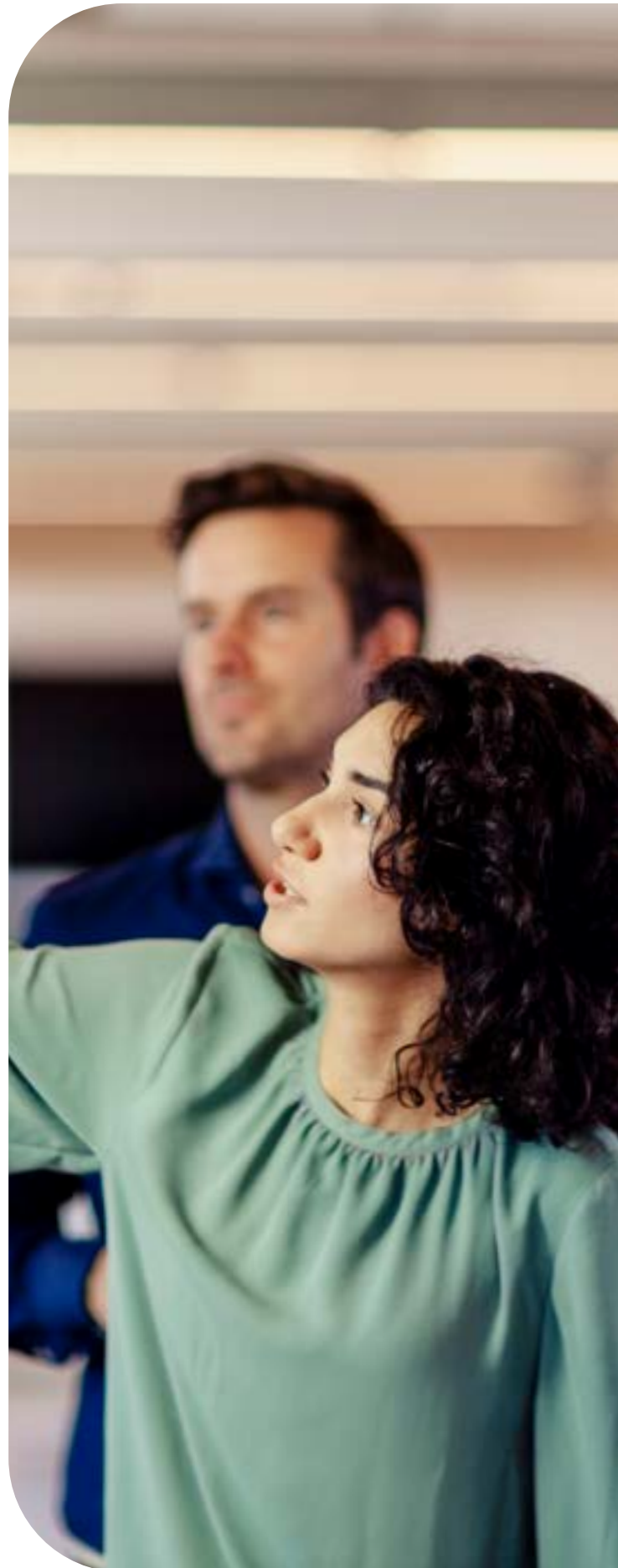


- **Pay-per-use** of products and services is a pricing structure in which customers pay based on how much or how often they use them. While not all products and services will fall under this scheme, it should form part of the goal, as it allows for greater flexibility and adaptability to specific customer needs.
- Teams need to be accountable for the total cost of ownership (TCO) of products and services, a metric that takes into account all costs associated with the acquisition, use, and maintenance of a product or service over its lifetime, providing a more complete picture and helping them to make more informed financial decisions.

Example of TCO elements for digital products



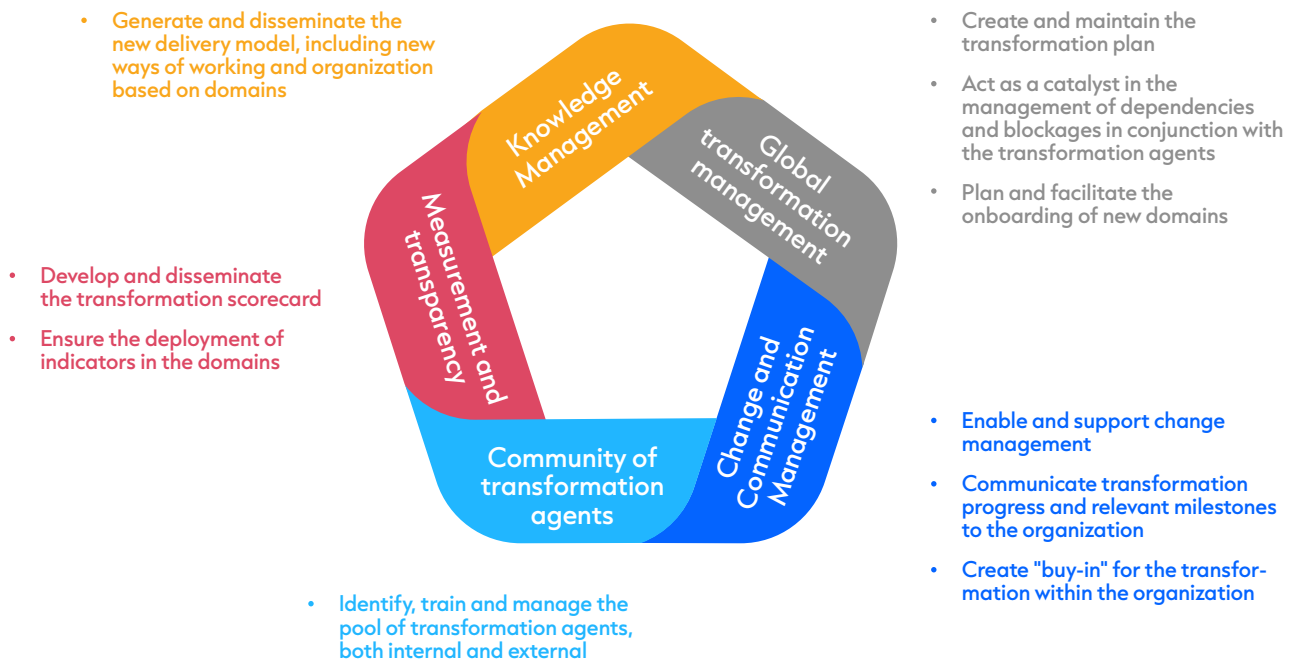
- FinOps, a practice that combines Finance and Operations to improve efficiency and profitability by optimizing expenses and making decisions based on financial data, supported by tools for monitoring, controlling, and optimizing operating costs. Value stream funding and value measurement, to allocate financial resources based on the value generated by different products or services, measuring this value to make funding decisions accordingly. This involves identifying clear metrics, such as revenue generated, operational efficiency, or customer satisfaction, and using them as the basis for strategically allocating financial resources.



How can we approach the transformation to products and services and measure success?

At the heart of the transformation is the Transformation Management Office (TMO), which provides leadership, support, and coordination. The TMO acts as a centralized entity responsible for governing, driving, and overseeing organizational transformation, and is typically divided into at least 5 responsibility groups:

Main responsibilities of the Transformation Management Office



The TMO plays a crucial role in the transformation of a product- and service-oriented organization by providing leadership, coordination, and support in the change process. It acts as a centralized entity that drives transformation, ensures strategic alignment, monitors progress, and fosters collaboration and continuous learning.

It is also responsible for the transformation's business case, by consolidating the defined metrics of value, quality, efficiency, and satisfaction. Furthermore, it must measure the progress of the transformation both in terms of maturity (organizational, product- and service-related) and the business results obtained.

Our recommendation is that the transformation be gradual, iterative, and incremental, starting with a reduced set of products and services (both business and structural), as a way to validate the designs and demonstrate tangible results—not only for the business but also for the teams. These results, together with the managers' vision and sponsorship and the alignment of the teams' objectives, will form the basis for achieving the extraordinary results we are aiming for.

Conclusion

A product and service oriented organizational transformation is focused on the need to adapt quickly to changes in the environment and to rethink organizational designs in order to create integrated processes that overcome silos and provide greater flexibility and agility. The main objective is to build organizations that focus on satisfying customer needs, where the value provided is the basis for decision-making.

Speed and the ability to transform into a flexible and agile company are key capabilities in our increasingly competitive markets, which are characterized by rapid change and uncertainty. We thus propose to adopt a product and service-oriented approach rather than a specialized function-based approach, which entails profound changes in the organization's structure and governance.

A product and service-oriented organization is based on stable, multidisciplinary teams that assume end-to-end responsibility for products and/or services. These teams deliver value

continuously, have autonomy, and are customer-oriented. It is also characterized by continuous improvement, a culture of tolerance for mistakes, and leadership focused on value delivery.

This new way of thinking about ourselves requires changes in the company's operating model, financial model, and technology model. In the operating model, standardized metrics must be defined, a new organizational structure must be established, agile ways of working must be adopted, and collaboration must be fostered. The technology model involves becoming platform-oriented, using cloud computing, and applying continuous integration and delivery practices.

In summary, product and service-oriented organizational transformation seeks to focus on customer needs, boost innovation and agility, improve efficiency and productivity, and break down organizational silos. This is achieved through changes to the organization's structure, governance, operating model, and technology model. The pursuit of continuous value delivery, team autonomy, and continuous improvement are key elements in this transformational approach.





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