



COMPONENTS OF THE ORGANIZATIONAL OPERATING SYSTEM

AN OVERVIEW

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THE OPERATING SYSTEM

The purpose of an operating system is to ensure the seamless functioning of an organization. Organizations are needed as most work requires more than one individual to complete. As such, the operating system enables the communications, coordination, alignment, sharing, decision-making, and accountability at scale throughout an organization. As every organization is different, operating systems are unique and specific to every organization.

Operating systems serve as an autopilot for everyday work, represents the organization's backbone for consistency and efficiency, ensure stability as the foundation for agility and resilience, acts as a resource manager, safeguards the business model, scaffolds scalability, guides the decision-making, safeguards sustainability, acts as a knowledge repository, and serves as a talent builder. It functions like the organization's 'DNA' and is deeply rooted in the culture. Culture works like the mirror of an operating system. While culture cannot easily be altered, operating systems are malleable and require design.

The operating system touches every part of an organization. It reflects the unique strategy and business model, represents organizational capabilities, and enables business operations. It represents the unique nature of leadership and the disciplines of management. As such, operating systems require design, and they ensure the transformation of capabilities to fit the specific business needs. Organizational maturity and competitive advantage serve as the standards for the operating system.

Organizations and their operating systems are intangible assets and as such invisible. **Organization Twins** make the operating system visible and malleable. Twins come with big data, models, and the methodology for design and development.

Management Insights' organizational twins represent organizational operating systems through interrelated groups of components for strategy, organization, leadership, management, design, transformation, and competitive advantage. The organization twin cockpit presents the components of the operating system through 91 **modules** with 200+ **elements** that combine capabilities, design decisions and transformation options.

Components, modules and elements help to reduce complexity with flexibility on the depth of analysis. As such, the cascading groups, modules, and elements provides a scalable solution for organizations of all sizes. Small organizations may work with groups of modules whereas large organization dive into the elements of all modules.

COMPONENTS

Operating systems consist of several groups of modules, each with elements for a specific purpose and with their unique functionality. The strategy, organization, leadership and management components characterize specific essential organizational capabilities.

STRATEGY

The strategy component of the operating system aligns the specific customer strategy, the business model and the operating model (Michel, 2022b). Missing alignment is a frequent cause of organizational failures.

Customer Strategy

Strategy is the starting point for the design of organization, leadership, and management. Combining three positioning options with three core process results in nine generic customer strategies (Hax and Majluf, 1996). Clarity on the customer strategy guides the choice of business and operating models.

Business Model

O'Reilly and Tushman (2013, 2004) based on the foundations of March (1991) separated exploitation and exploration type business models. To allow for choices in the digital economy, we have added hybrid business models that combine both. The choice of business model determines the operating model.

Operating Model

Control, engagement, change, and enabling describe four generic operating model as a choice between traditional, dynamic and people-centric leadership and systems (Michel, 2020). The operating model must fit the customer strategy and business model. The dominant operating model shapes the nature of leadership and managerial systems.

ORGANIZATION

The organization component of the operating system determines dynamic capabilities as explained by the performance triangle and operations and the organizational form. Missing capabilities and faulty structure prevent the organization from implementing their strategy.

Capabilities

The performance triangle (Michel, 2013) describes seven clusters of organizational capabilities (Success, culture, relationships, purpose, collaboration, leadership, and systems) and four individual capabilities (People with focus of attention, awareness, trust, and choice). The quality of these elements determines dynamic capabilities and organizational outcomes.

Operations

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Operations transform dynamic capabilities (speed, agility, and resilience) into organizational outcomes (performance, innovation, and growth). The quality and maturity of these capabilities directly impacts strategy implementation.

Form

Organizational form (Mintzberg, 2023) describes structure, decision-making, delegation, and control. The choice of form impacts organization and accountability design.

LEADERSHIP

The leadership component of the operating system guides control – the nature and degree of structuring and involvement of leaders. The leadership scorecard, leadership style and the leadership toolbox determine leadership. Faulty leadership is the most prominent cause of demotivation.

Leadership Scorecard

The leadership scorecard (Michel, 2013) extends success, culture, leadership and systems from the performance triangle with 20 leadership capabilities and combines them with five managerial behaviours (understand, think, act, engage, and adhere). The patterns of these capabilities reflect the nature of leadership. We have learned that context, the life cycle stage of the organization and the incumbent industry explain scorecard patterns. Understanding the own patterns helps to create competitive advantages by deliberately investing in specific leadership capabilities.

Leadership Style

Four styles capture leadership as a choice of involvement and structuring. Various factors such as degree of delegation, organization form, nature, and size, leadership role, personal preferences, and team maturity influence the choice of style. For optimal alignment, leadership styles and management modes need to fit each other.

Leadership Toolbox

The leadership toolbox presents 15 tools (Rules, routines, tools and interactions) to include performance management, sense-making, metrics, rewards, strategy development, risk management, governance and more. Each of these tools requires its specific design to effectively support the strategy and business model. A variety of algorithms support the design (Michel 2021, 3rd Ed.).

MANAGEMENT

The management component of the operating system combines decision-making, the management model and management context. It determines the features of management. Erroneous management leads to faulty decisions.

Decision-Making

Four styles define involving and structuring leadership: simple, complex, dynamic, and wicked. Leadership styles depend on the contextual assumption behind the acting and thinking (Michel, 2022a). The choice of decision-making requires an adequate leadership toolbox. Clarity in the dominant decision-making style simplifies and expedites the decision-making throughout the organizations.

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Management Context

The management context combines the decision-making and management model. It is an important choice as it determines many organizations capabilities for traditional or people-centric, and a stable or a dynamic environment (Michel et al., 2018). It's a choice that strongly influences the design and development of managerial capabilities.

Management Model

The management model distinguishes command and self-responsibility, procedures and teamwork, targets and attention, and change and capabilities through control, prima donna, professional, and innovation (Michel, 2022a). Every mode requires very different capabilities that range between traditional and people-centric outcomes.

DESIGN

The strategy component of the operating system guides the design of capabilities (Michel 2021, 3rd Ed.). Without the right design, capabilities lead to average outcomes, and over time, organizations without the right capabilities lose competitive advantages.

Organization Design

Organization design determines the specific unit structures, diagnostic control systems, interactive networks, and shared responsibilities (Simons, 2005). The design of every organization form specifies and aligns many other features of organizations, such as control, accountability, influence, and support.

Management Modes

How to get things done and how to think about the future characterizes nine management modes. Management modes determine the design of the extended leadership toolbox. 9 modes offer choices on 32 tools for the detailed fine-tuning of the leadership toolbox.

Accountability

Accountability levers for control, accountability, influence, and support determine the specifics of jobs in alignment with organization design.

TRANSFORMATION

The strategy component of the operating system guides the development of capabilities, e.g. organizational transformations. With the well-documented 80% failure rate of change processes, getting transformations right is a must for every organization.

Life Cycle Stage

Five life cycle stage characterize the development of organizations. Every growth phase comes with its systemic crisis and with it, the respective transition strategy. Transitions without clarity on the specific life cycle stage are doomed to fail (Michel and Nold, 2023).

Maturity

Six stages characterize the maturity of organizations. Every stage comes with its specific development strategy (Michel, Anzengruber and Nold, 2025 expected). Following the recommended strategy expedites transformations.

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Development Paths

Four development paths explain how to develop capabilities as a choice between analyzing, systematizing, learning, and experimenting. Getting the path right expedited capability development.

COMPETITIVE ADVANTAGE

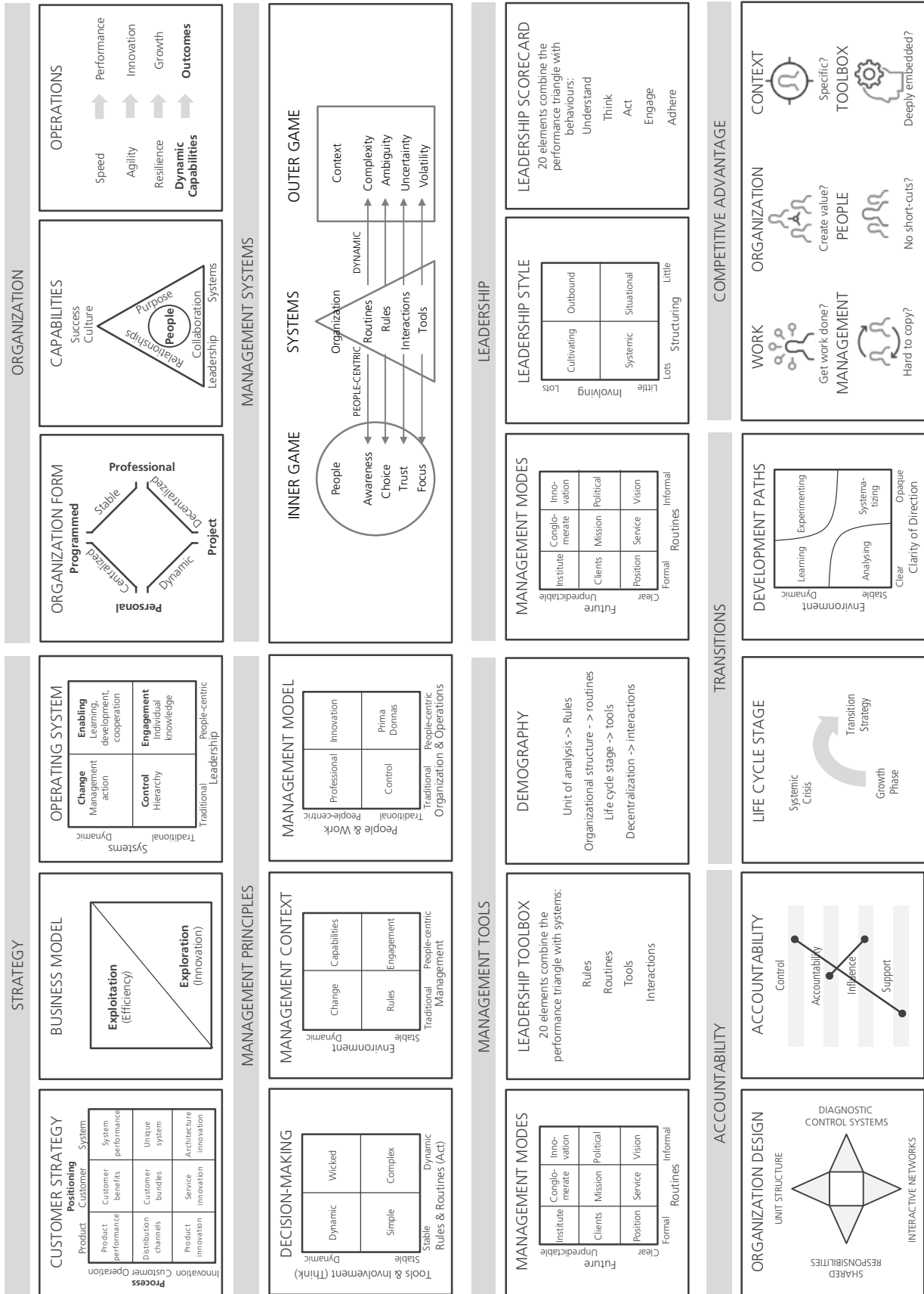
The competitive advantage component of the operating system offers benchmark for the capabilities of an organization's operating system (Michel, 2022b). Six criteria of competitive advantage, e.g. get work done, create value, specific, hard to copy, no short-cuts, and deeply embedded enable leadership teams to test their capabilities before, during and after their transformations with direct links to all components of their operating system. As such, the design, the development, and the transformation of an operating systems becomes a guided process that minimizes the risks of failures.

THE ORGANIZATION TWIN COCKPIT

The **Organization Twin Cockpit** is our proprietary AI-based expert system for the design and development of operating systems. As an **expert system**, it provides leadership teams with the insights to tailor their operating system to their needs. **Artificial intelligence** feeds design and development decisions with deep knowledge from our growing data-base and our expertise. Dominant patterns characterize specific organizations with their respective operating systems for comparisons.

The expert system applies proven models, algorithms, heuristics, and statistics to simplify the many capabilities choices, design, and development decisions necessary for a seamlessly functioning organization. The **Operating System Design and Development Model** combines demographic, diagnostic, and benchmark data to recommend the ideal design, development, and transformation with a minimum of user interactions. What once was scarce expert knowledge is now becoming available for organizational design and development experts.

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