



THE ORGANIZATIONAL OPERATING SYSTEM

WHY EVERY ORGANIZATION NEEDS ONE

Lukas Michel | Management Insights

Chaunt da Crusch 12, CH-7524 Zuoz, Switzerland

Tel: +41 79 438 75 20 | contact@management-insights.ch

www.management-insights.ch

The **operating system** ensures the seamless functioning of an organization. Operating systems in support of **dynamic leadership** require a **hybrid** design. The **Organization Twin Cockpit** makes all elements of the operating system visible and malleable. Our expert system uses **artificial intelligence** to support the design and development of the operating system.

OPERATING SYSTEMS

Work is work if it has a customer that demands performance. **Organization** is needed when work requires more than one human to be completed. Knowledge work is about humans that make decisions. As such, organization defines accountability for decisions. Management determines the rules, routines, tools, and interactions to make decisions and deliver performance in a specific context at scale. Leadership is all about motivating others to get work done.

As humans in the becoming of ourselves, have trained our body and brain with many habits. For most of our daily activities, we can rely on them. Habits don't require our thinking and interference, and they consume little energy. Habits are very handy as they preserve our energy to deal with exceptions and unforeseen situations. As such, humans have developed strong patterns of how things get done. It's the hidden "operating system" that takes care of most of our lives.

Organizations, like humans, are complex systems that involve work, organization, management, leadership, context, and human decision-making as intertwined parts. Every organization has its own operating system that takes care of organizational habits. Operating systems are hidden. They run unconsciously as a sort of autopilot in the background. Operating systems are like culture. They glue the organization together. But culture is more like the shadow of an organization. One cannot change it, but it changes as the organization changes. It's read only. One can read the culture but like weather, as loud as we yell at it, it won't respond. Unlike culture, the operating system of an organization can be made explicit and, as such, can be modified.

An **operating system** is a collection of implicit and explicit capabilities that enable people to get work done and ensure seamless operations at scale throughout an organization. It functions like an organization's "DNA", persistent and deeply rooted in the culture such that we don't even notice it. A well-designed and maintained operating systems serves as:

- **Autopilot:** Serves as an everyday time safer, conflict resolver, teamwork enabler.
- **Operations backbone:** Creates consistency, uniformity, accuracy, and efficiency.
- **Stability platform:** Ensures speed and agility built on resilience.
- **Resource manager:** Helps to prioritize investments and allocate limited resources.
- **Business model safeguard:** Frees up operational efficiency to enable creativity and innovation.
- **Scalability scaffold:** Enables growth without diluting the core business.
- **Decision-making guide:** Ensures that decisions throughout the organization are aligned.
- **Sustainability guard:** Helps to balance stakeholder interests.
- **Knowledge repository:** Secures and protects critical knowledge.
- **Culture and talent builder:** Creates trust and attracts the right talents.

THE ORGANIZATIONAL OPERATING SYSTEM

In many organizations, operating systems suffer due to their patchwork legacy, the lack of a grand theory, and the readiness of insular help.

Patchwork operating systems: Leaders often rely on idea, techniques, and advice from various sources that they tape together to solve a particular issue. Rightfully they draw from their experience, books, workshops, and consultants, but create a scattered approach that lacks cohesion.

The lack of a grand theory: To our great surprise, there is no proven scientific theory available that brings together the parts of an operating system for the needs of the digital economy. Many of the available models are either stuck in Taylorism or driven by ideologies. Both do more harm than good for leaders in today's business context, where holistic, integrated, and flexible approaches are needed.

The readiness of insular help: The world is full of consultants, methods, and models to fix specific problems in organizations. Some of their solutions are good stuff. The problem comes from the demand of fixing problems. We know that quick fixes, cheap tips, and ready best practices are of little help when the flaws are with the fundamental design of operating systems. That fix requires a different approach.

Red flags raise with operating systems that are:

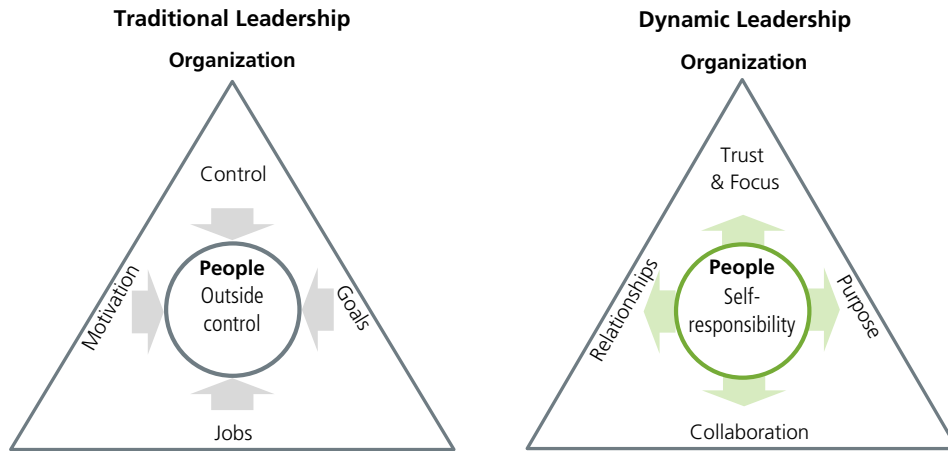
- **'Overwhelming':** The operating system is the dumping ground for what others think needs to be standardized. Its maintenance is delegated to nobody with the respective results. Design and maintenance is a matter of credibility.
- **'Irrelevant':** The operating system is not applicable to the entire business. Playing around the system is the norm and short-cuts are preferred: A toxic mixture that does not need to exist.
- **Not integrated:** The operating system consists of a couple of loosely coupled processes and tools taped together by coincidence. They are reinvented every time when used by anyone within the organization. Such processes are a waste of time and energy.
- **Not maintained:** The operating system is as what is always used to be. It is not trained, not assessed, not improved. In combination, it is not ready to operate the organization.

Most organizations operate under a system rooted in Taylorism, with a design for a stable, simple, and local context. But times have changed. The current reality of most operations is an uncertain, complex, and global environment. Traditional operating systems solely designed for control, predictability, and efficiency fail on the requirements for people-centric management, capabilities for a dynamic environment and strategies for successful transitions.

Management innovations fills that the gap. It combines the principles of the inner game, quantum management, ambidexterity, and complementarity to reach an optimum. We have documented the approach in many of our books. Figure 1 contrasts the principles of traditional and dynamic leadership.

THE ORGANIZATIONAL OPERATING SYSTEM

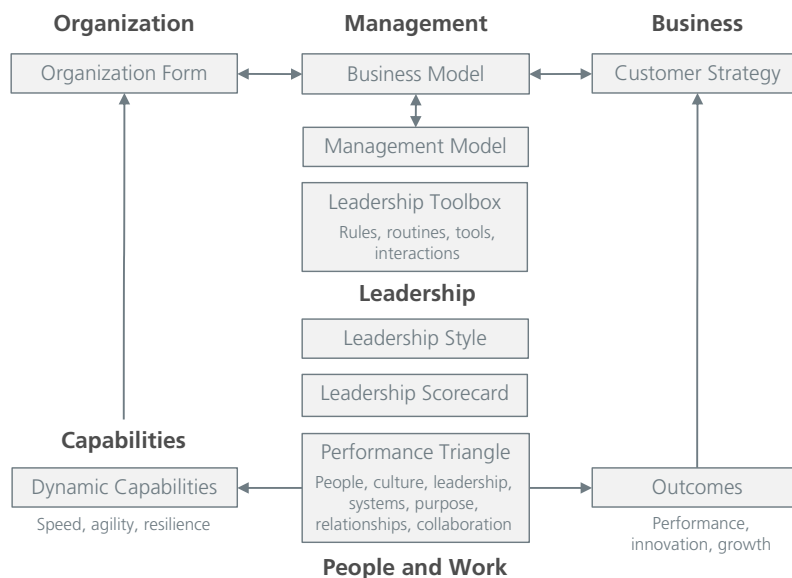
FIGURE 1: TRADITIONAL AND DYNAMIC LEADERSHIP



The operating system for dynamic leadership is **hybrid**: Purpose-driven, adaptable, self-organizing, holistic, integrative, collaborative, diverse, and evolutionary to enable creativity and innovation, and at the same time, a stable backbone, rules-based, procedural, and goal oriented for superior reliability, quality and efficiency. Hybrid operating systems combine two or more operating models as needed to fit the specifics of the context and situation. Hybrid refers to the ability of an operating system to simultaneously support both, traditional and dynamic leadership, e.g. preserving exploitation-type businesses with rules-based models and innovative exploration-type businesses with capabilities-based models.

Organizational operating systems consist of interrelated components (Figure 2).

FIGURE 2: COMPONENTS OF AN ORGANIZATIONAL OPERATING SYSTEM



THE ORGANIZATIONAL OPERATING SYSTEM

Business is the starting point of every organizational operating system. Its character must reflect the positioning and the core process of the customer strategy. The business model decision follows the strategy with an aligned exploitation, exploration, or a hybrid model. The choice of business model impacts the organization form and with it essential organizational levers. Customer strategy, business model and organization levers determine the management model. The choice of management model determines the capability of the organization to operate in a stable or a dynamic context and by controlling or enabling people.

The leadership toolbox is the host for all rules, routines, tools, and interaction mechanisms. Performance measurement, strategy development, performance management, people engagement and risk management represent an organization's grand processes. The operating mode, how we do things and how we think about the future, determines the design of the entire toolbox. In a smooth operating system, the leadership style aligns well with the operating mode.

The leadership scorecard and the performance triangle host the culture, leadership, systems and other intangible factors that enable people to get work done and perform. Dynamic capabilities and outcomes close the loop to organization and the customer strategy.

Managing hybrid operating systems is demanding, and they require careful design. Faulty design is the #1 reason for failure. It is important to get the design right from the beginning. Design is the necessary step to a well-functioning operating system. That's why leaders search for new ways to operate their organizations.

Most of operating system's elements are intangibles. The **Organization Twin Cockpit** makes all elements visible and ready for design. With the **expert system**, leaders can identify gaps, decide on the right design, and initiate the right development activities.

Our expert system uses **artificial intelligence** to support the design and the development of the operating system. With our models, survey data, standards, statistics, benchmark information, and proven patterns, it suggests the ideal design.

DESIGN AND DEVELOPMENT STEPS

It's important to get the design right from the start.

1) Establish the Baseline

What are the capabilities of the current operating system? The **Global Executive Survey** is the fastest way to establish the baseline with the operating system's current capabilities. It's our proven online diagnostic assessment with up to 72 capabilities under review. The results are presented with our **Organization Twin Cockpit** software or as workbooks. 91 visual thinking aids document the capabilities as a twin, a dynamic copy of your organization. A free demo version is available from our website: www.management-insights.ch.

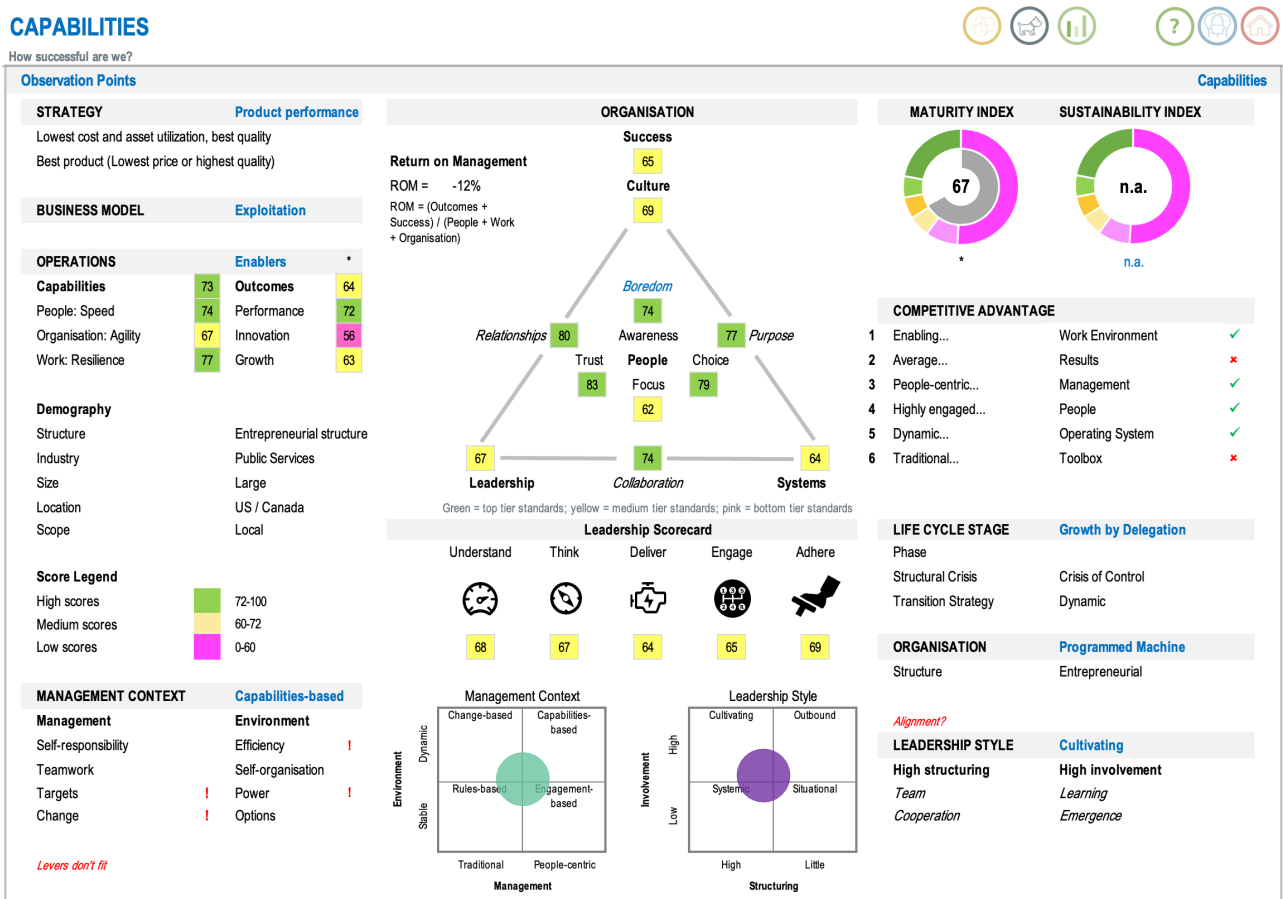
Creating awareness for the operating system is the first step to mastery.

THE ORGANIZATIONAL OPERATING SYSTEM

The Performance Triangle (Michel, 2013) offers the insights on all capabilities that make up an operating system.

The capabilities profile from the Organization Twin Cockpit summarizes current capabilities (Figure 3).

FIGURE 3: THE CAPABILITIES PROFILE



2) Identify Capability Barriers

What are barriers that keep your organization from reaching mastery? The **Cockpit's** expert system helps you understand patterns of benchmark information to identify the barriers. Clarity on sensitivity of capabilities with respect to innovation, growth and performance helps decide on critical elements of the operating system. The deep dive into the relationship of selected capabilities helps to identify missing energy.

Understanding individual capability barriers is the second step towards the right design.

Agile by Choice (Michel, 2021) and People-Centric Management (Michel, 2020) help to identify barriers, and they open the barriers to mastery.

3) Determine the Right Design

What is the right design of the operating system? The Organization Twin Cockpit's **AI-based** expert system helps you decide on the right design. Over 30 years, we have evolved our model and methodology for the design of operating systems. The model combines demographic, diagnostic and benchmark data, enables experts and leaders to make distinct design choices, and test their outcomes. As such, we have identified the relevant data with proven algorithms and heuristics to simplify and shorten the design process without any loss in depth. Design decisions include the following: Strategy, business model, organization form, management context, Environment (Ambiguity, complexity, volatility, uncertainty), Operating model, leadership style, leadership toolbox and scorecard, and the performance triangle.

The design profile from the Organization Twin Cockpit summarizes design decisions (Figure 4).

FIGURE 4: THE DESIGN PROFILE



Design is fully transparent and documented in our books. *Diagnostic Mentoring* (Michel, 2022) describes the key design decisions. *Management Design* (Michel, 2022, 3rd Ed) supports the design process with

THE ORGANIZATIONAL OPERATING SYSTEM

the Canvas model for team design sessions. *Better Management* (Michel,2023) outlines the standards of good design.

4) Determine the Development Strategy

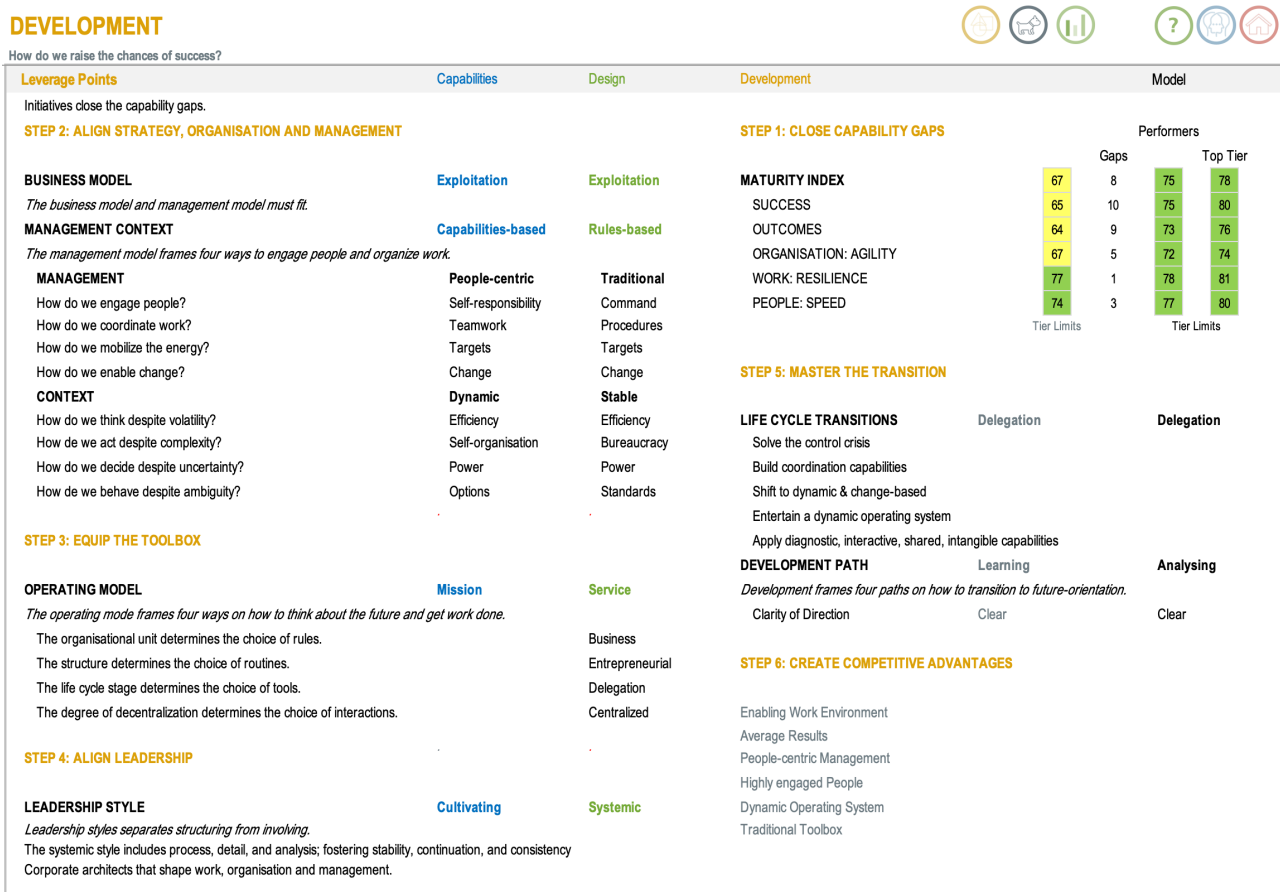
What is the development strategy? The Organization Twin Cockpit's **AI-based** expert system helps you decide on the right development strategy.

Patterns from our database tell us that maturity levels of organizations are the best predictors for the development program. As such, we have identified the antivirus program, spring cleaning, dynamic shift, people-centric shift, people potential and toolbox design as the generic programs to work from.

Development paths indicate the best way to develop the capabilities through analysis, systematising, learning, or experimenting.

The development profile from the Organization Twin Cockpit summarizes development decisions (Figure 5).

FIGURE 5: THE DEVELOPMENT PROFILE



INSURANCE | PROJECT | 17.02.25 | CASE STUDY | PARTICIPANTS: 192

5) Determine Transition Strategy

THE ORGANIZATIONAL OPERATING SYSTEM

How do we transition to new operating system? The Organization Twin Cockpit's **AI-based** expert system helps you decide on the right transition strategy.

The life cycle stage of an organization determines the transition strategy. In *The Transition of Organizations* (Michel and Nold, 2023), we have identified four strategies to overcome structural hurdles. Each comes with a development focus and purpose: People-first, people-centric management, dynamic operating system, and agile organization.

The transition profile from the Organization Twin Cockpit summarizes transition decisions (Figure 6).

FIGURE 6: THE TRANSITION PROFILE

TRANSITIONS

What is the transformation program?

Roadmap	Capabilities	Design	Development	Implementation
Navigation determines the roadmap to develop new capacities.				
BETTER ORGANISATION				
STEP 2: ALIGN STRATEGY, ORGANISATION AND MANAGEMENT				
BUSINESS MODEL	Exploitation	Exploitation	Product Metrics	
STRATEGY	Product performance		Best product (Lowest price or highest quality) Lowest cost and asset utilization, best quality	
MANAGEMENT CONTEXT	Capabilities-based	Rules-based	Command, Procedures, Targets, Change, Efficiency, Bureaucracy, Power, Standards	
STEP 1: CLOSE CAPABILITY GAPS				
MATURITY INDEX	Enablers	Capability barriers	People-centric shift	
FORM	Programmed	Performers	Collaboration, Enablement	From MOTIVATION to ENABLEMENT
	Dominant control systems with little leadership interaction			From PEOPLE ENGAGEMENT to COLLABORATION
BETTER MANAGEMENT				
STEP 3: EQUIP THE TOOLBOX				
OPERATING MODEL	Mission	Service	Service Toolbox Flexible, Clear	
STEP 4: ALIGN LEADERSHIP				
LEADERSHIP STYLE	Cultivating	Systemic	Individual, Cooperation, Goals, Emergence	Design interactions for superior control and trust in certain times.
BETTER VALUE				
STEP 5: MASTER THE TRANSITION				
LIFE CYCLE TRANSITIONS		Delegation	Solve the control crisis Build coordination capabilities	Dynamic operating system Apply diagnostic, interactive, shared, intangible capabilities Shift to dynamic & change-based
DEVELOPMENT PATH	Learning	Analysing	Development through analysis and standardization	
STEP 6: CREATE COMPETITIVE ADVANTAGES				
Enabling Work Environment	✓			
Average Results	✗	Identify the levers that will help you build the desired capabilities.		
People-centric Management	✓			
Highly engaged People	✓			
Dynamic Operating System	✓			
Traditional Toolbox	✗	Design your toolbox to perfectly fit the challenges and the demographics of your organisation.		
SUSTAINABILITY	n.a.	n.a.	n.a.	

INSURANCE | PROJECT | 17.02.25 | CASE STUDY | PARTICIPANTS: 192

Organizations with a well-design operating system provide resources with a better, simpler, cleaner model of the organization and provide the means for successful management. The operating system glues the organization together. The Organization Twin Cockpit offers AI-based expertise for the design and development of the operating systems.

Michel L and Nold H (2023). *The Transition of Organizations: Managing for Growth at Each Stage of the Organization's Life Cycle*. London: LID Publishing.

Michel, L (2022). *Better Management: Six Principles for Leaders to Make Management their Competitive Advantage*. London: LID Publishing.

Michel, L (2021). *Agile by Choice: How You Can Make the Shift to Establish Leadership Everywhere*. London: LID Publishing.

Michel, L (2021). *Diagnostic Mentoring: How to Transform the Way We Manage*. London: LID Publishing.

Michel, L (2020). *People-Centric Management: How Managers Use Four Levers to Bring Out the Greatness of Others*. London: LID Publishing.

Michel, L (2013). *The Performance Triangle: Diagnostic Mentoring to Management Organizations and People for Superior Performance in turbulent times*. London: LID Publishing.

Why guess when you can know?

Here is what you can do:

Explore the managerial innovation potential in your organization
and get a free report on your mastery.



Use your tablet, laptop or PC for best experience!

<https://management-insights.ch/free-survey>



Talk to our experts

Lukas Michel | Management Insights

Chaunt da Crusch 12, CH-7524 Zuoz, Switzerland

Tel: +41 79 438 75 20 | contact@management-insights.ch

www.management-insights.ch