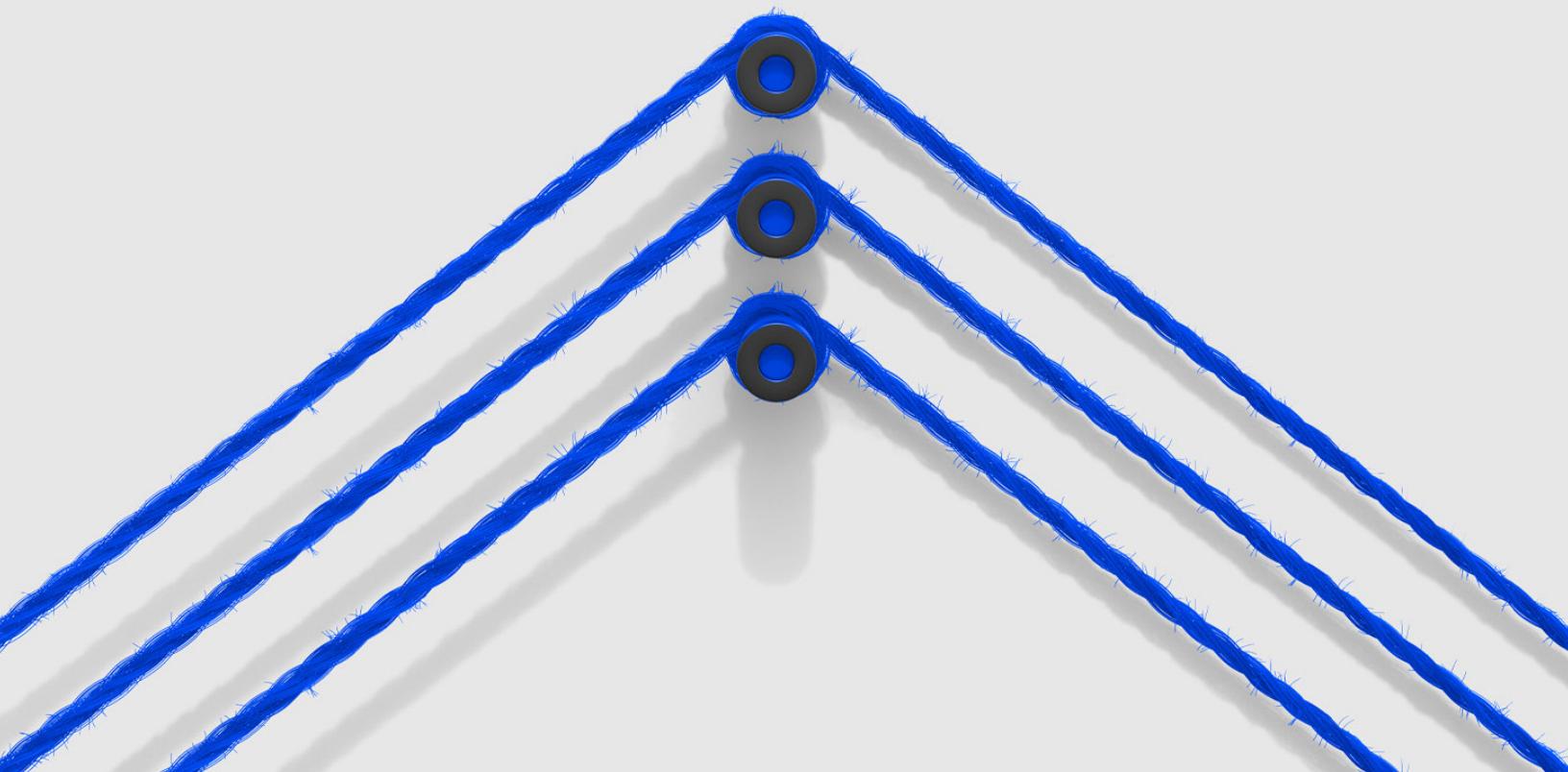


McKinsey Explainers

What is an operating model?

An operating model is the backbone of any organization. It outlines how the company delivers value to its customers, operates on a day-to-day basis, and achieves its strategic objectives.



McKinsey research shows that even top-performing companies achieve only about 70 percent of their strategies' full potential, due in no small part to shortcomings in their operating models. But in today's fast-paced business landscape, having an effective and well-defined operating model is crucial for closing this strategy-to-performance gap, adapting to changing market conditions, and achieving long-term success. A robust operating model serves as a guiding framework for [decision-making](#), resource allocation, [innovation](#), and many other critical activities and practices in the business—all in the service of improving efficiency and generating sustainable growth.

To learn more about operating models and how they can enable organizations to realize their full potential, read on.

What are the key elements of an operating model, and how do they work together as a system?

McKinsey's [Organize to Value approach](#) to effective operating model design focuses on [12 specific elements](#): purpose, value agenda, structure, ecosystem, leadership, governance, processes, technology, behaviors, rewards, footprint, and talent (table). These operating model elements interact with one another as a dynamic system and as part of an organization's operating model "fingerprint" (that is, the unique combination of design choices that leaders make). When aligned, the elements have a significant effect on financial performance; a well-designed operating model can turn strategic potential into [market-beating results](#).

Each element has a specific definition and is linked to performance. For instance, "purpose" is how the organization defines its core reason for being, and a clear purpose helps employees and stakeholders navigate uncertainty. "Structure" refers to how accountable units and mission teams are designed, which serves the strategy by enhancing prioritization and accountability.

The 12 elements of the Organize to Value system are designed to help executives deal with the speed and volatility of business, technological, and societal changes. By mapping current organizational choices across these elements, leaders can understand their organizations' unique fingerprint and determine whether each choice is aligned with their strategic goals.

An operating model is not just about structure and the boxes and lines of a traditional org chart; it encompasses a broader set of elements that work together as a system. Before embarking on an operating model redesign, leaders should identify the root causes of the gaps between their strategic objectives and real performance and consider the critical outcomes the operating model should generate, how the operating model works as a system, what the trade-offs are for a redesign, and how to lead differently to enable the changes being made.

Table

The 12 elements of the Organize to Value system

Element	Definition	Link to performance
Purpose	How the organization defines its core reason for being	Clear purpose helps employees and stakeholders navigate uncertainty
Value agenda	How the organization creates value	Clarity on the value agenda enables optimal resource allocation
Structure	How accountable units and mission teams are designed	Internal organization in the service of strategy enhances prioritization and accountability
Ecosystem	How the organization works with partners to create value	External partnerships create and share value beyond the organization's boundaries and capabilities
Leadership	How leaders make decisions and catalyze action	Roles and dominant approach to decision-making are clear and consistently implemented
Governance	How to set priorities, allocate resources, and manage business performance	Ensures enterprise resources are managed in a consistent, integrated way in alignment with the strategy
Processes	How workflows are designed	Approach to value-creating activities is clear and consistent across the enterprise
Technology	How digital, data, and AI enable value creation	Data and AI are deployed to increase productivity and drive new sources of value creation
Behaviors	How culture is nurtured across the organization	A unique “secret sauce” creates value for employees and customers
Rewards	How people are rewarded for performance	Rewards support the desired behaviors and practices that increase value
Footprint	How the organization locates and deploys talent	The right skills are available in the right locations in alignment with business needs and priorities
Talent	How the organization attracts and develops talent	The right capabilities are available to meet value creation goals

What benefits can a well-designed operating model bring to an organization?

An effective operating model is designed to deliver four measurable outcomes to an organization—[clarity, speed, skills, and commitment](#):

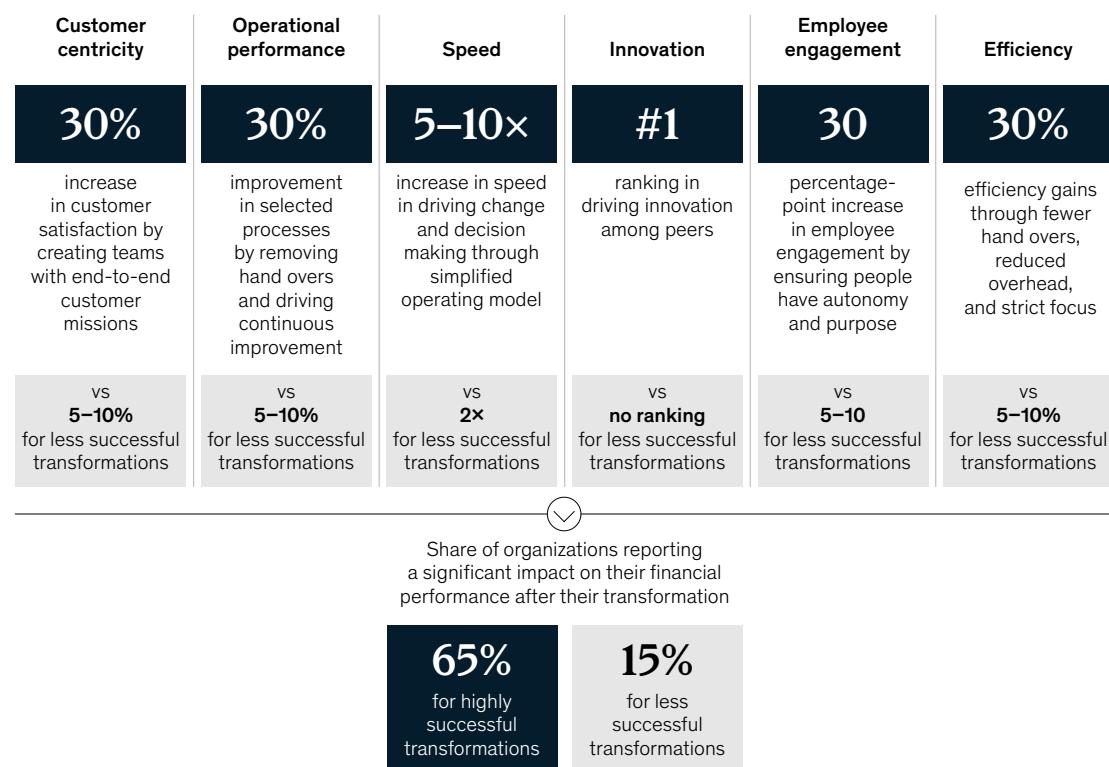
- “Clarity” means resources and accountabilities are aligned to strategy.
- “Speed” refers to workflows being fast, tech enabled, and frictionless.
- “Skills” refer to developing a future-ready workforce that’s equipped to deliver the highest value.
- “Commitment” means creating a performance-oriented culture.

McKinsey research shows that gains from operational shifts toward these outcomes can include up to a 30 percent increase in customer satisfaction, operational performance, and efficiency; a five- to tenfold increase in speed in driving change and decision-making; and an increase in employee engagement of up to 30 percent (exhibit).

Exhibit

Highly successful agile transformations result in a step change in performance, with impact achieved in multiple dimensions.

Impact achieved by highly successful¹ agile transformations



¹We define a highly successful agile transformation as one that, according to respondents, met the following criteria: (1) was successful or very successful at both improving overall performance and equipping the organization to sustain those improvements over time, and (2) improved performance on all business objectives on which the transformation focused. Respondents were asked to rate the level of improvement on a 1–4 scale (from "no improvement" to "major improvement") for each objective that their transformations targeted, and those reporting an average score above 2.5 (out of 4) were considered highly successful.

Why is alignment crucial in an operating model, and how is it achieved?

Alignment within an operating model ensures that its various elements work together, in systemic and mutually reinforcing ways, toward the same goal: delivering the organization's strategy. Organizations can achieve alignment through [intentional design choices](#) across the operating model's 12 elements.

The case of one top-performing airline illustrates how alignment across the 12 elements can support performance. The airline made specific choices across each element to achieve its business outcomes. For example, to support passenger experience, it anchored its purpose in organizational reputation and customer benefit. The company's choices were aligned with its strategic goals, and this alignment helped it achieve higher performance compared with its peers.

How often should an organization redesign its operating model, and how can it prepare for this process?

Redesigns are a [regular part of any operating model strategy](#), and organizations should build redesign readiness as a capability. About two-thirds of the leaders McKinsey surveyed said they went through operating model redesigns in the past two years, and 50 percent expect to pursue one in the next two years.

To prepare for the redesign process, leaders should understand their organizations' unique operating model fingerprint and compare it with highly successful operating models across industries. They can then choose whether to refine certain elements to suit their own companies' context and goals or shift to an entirely new fingerprint. Finally, they can commit to specific performance outcomes and a path to delivering on those goals.

Organizations can also [prepare for redesign](#) by updating their core processes, making significant investments in their people, and creating a performance-oriented culture. By doing so, they can increase the odds of a successful redesign that organizes the company's work around value, boosts speed and simplicity, and spurs stronger performance and organizational health—all of which are essential in today's volatile environment.

How important are people to the success of an operating model redesign, and what investments are required?

[People are a key factor](#) in the success of an operating model redesign. A highly committed workforce and a performance-oriented culture are essential for strategy execution and value creation, especially in volatile times.

During a redesign, companies can go beyond static workforce planning by continually upgrading their talent and reevaluating location and outsourcing decisions. This proactive approach allows them to keep pace with a dynamic labor market. Without the right operating model fingerprint, companies run the risk of sourcing, hiring, developing, and deploying talent more slowly than the market for skills is evolving.

Organizations that invest in their people and develop a [strategic workforce plan](#) can respond more quickly and intentionally to technological, geopolitical, and societal trends. They can do so by focusing on the following elements of the Organize to Value system:

- *Talent*: attracting and developing talent to meet value creation goals
- *Footprint*: locating and deploying talent in alignment with business needs and priorities
- *Behaviors*: nurturing a culture that creates value for employees and customers
- *Rewards*: rewarding people for performance and value creation

Through these investments, organizations can improve on a range of measures, such as efficiency, customer satisfaction, operational performance, speed in driving change and decision-making, and employee engagement.

What role do leaders play in a successful operating model transformation?

Company leaders play a critical role in an operating model redesign and ensuring its success. They must be aligned with and committed to the redesign effort, and they must be willing to make the necessary [changes to their own mindsets and behaviors](#).

A decade ago, McKinsey examined organizational redesigns across industries and company sizes, focusing on the core redesign principles that helped increase the odds of success. To understand the extent to which these principles still held true in 2025, McKinsey conducted a global, cross-industry survey of 2,000 executives—and updated the principles to reflect today's most reliable predictors of success. The refreshed set of "rules" addresses the current pace of change and disruption and integrates modern roles, structures, and processes into operating model redesign to ultimately deliver value and improve organizational health.

One evolved principle that remains is the importance of leadership alignment through a shared vision and clear design principles. This involves [enlisting the full leadership team](#) early on in the redesign and grounding the work in a clear set of design principles.

Leaders should also be equipped with the skills and knowledge to guide their teams effectively through a redesign, which organizations can do through targeted training and development programs. When people feel invested in and supported, they are more likely to embrace change, contribute meaningfully, and sustain the behaviors that drive long-term impact for their organizations.

How can an operating model be more adaptable and agile?

To make an operating model more adaptable and agile, organizations should focus on creating a dynamic system that can respond to changing circumstances. This involves regularly assessing and refining the 12 elements of the Organize to Value system to ensure that the elements remain aligned with the organization's strategic goals. Leaders should also prioritize building a culture of continuous improvement and be willing to make bold changes to stay ahead of the competition.

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In the consumer sector, for example, being adaptable and agile involves rigorously prioritizing the customer's preferences, creating a team-based operating model, and instilling a culture of ownership and accountability.

How can core processes be rewired for better performance?

Companies can [rewire their core processes](#) by focusing on fast, tech-enabled, and frictionless workflows. Organizations should identify and eliminate low-value work, reallocate resources frequently and dynamically, and establish seamless, cross-functional ways of working. They should also define who is accountable for what for each role and at every level of the organization, then push decision rights as close to the action as possible. One global retailer reassessed the work that should be done across every function at each level of the enterprise and identified activities that added little to no value. Its finance team, for example, found that centralizing most of its financial planning and analysis activities could free up at least ten full-time-equivalent hours a month.

Learn more about McKinsey's People & Organizational Performance Practice. And check out [operating-model-related job opportunities](#) if you're interested in working with McKinsey.

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Get to know and directly engage with senior McKinsey experts on operating models

Brooke Weddle is a senior partner in McKinsey's Washington, DC, office; **Deepak Mahadevan** is a partner in the Brussels office.