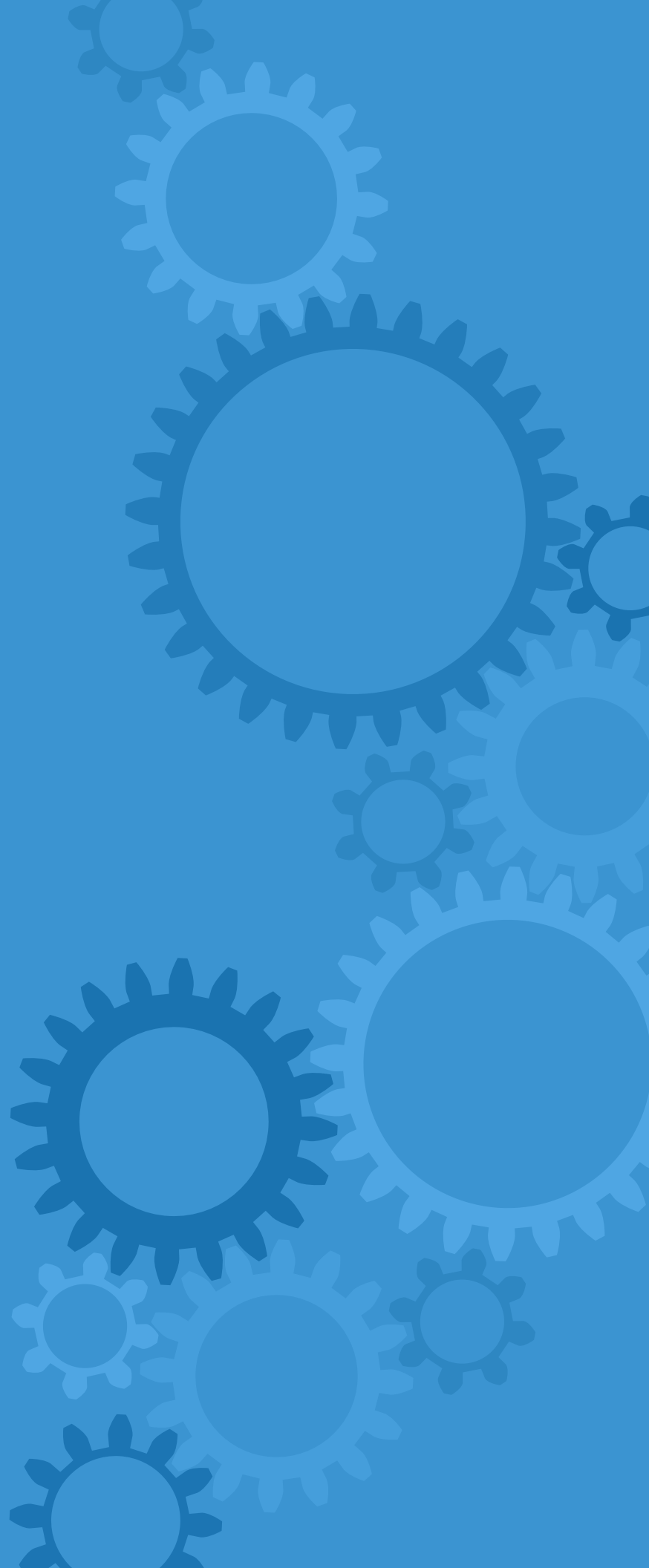


Business Operating System Guide

2023





Using This Guide

Treney has created a comprehensive toolkit to help organizations operate cohesively and in alignment with their mission, vision, and strategy. The tools outlined on the following pages form the foundation of a business operating system (BOS), where every activity contributes to strategic value and cash flow and each person or function works toward the organization's betterment.

To sustain this framework, establishing governance is crucial. It is recommended to set a regular cadence for refreshing materials and making updates as circumstances evolve. The frequency of updates will vary across industries and depend on the magnitude of changes made each year.

We trust this guidebook will be valuable to your company's adoption of a business operating system, and we hope you find it informative and useful.



What Is a Business Operating System?

“Business operating system” is a relatively new term but the concept has been around a long time. The jargon has morphed over the years, and you may have previously heard it called “company management system” or “operating model.”

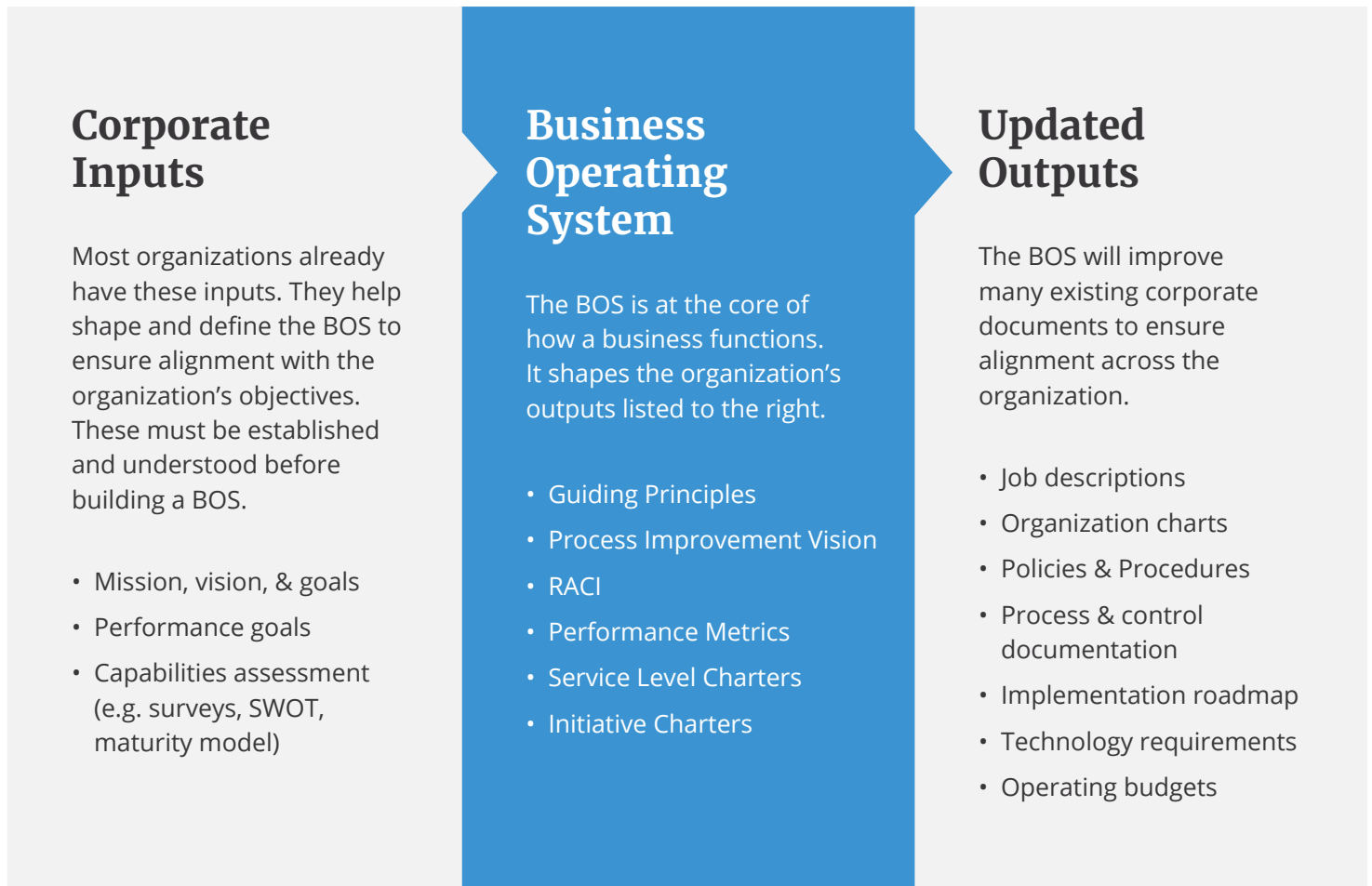
Contrary to how it sounds, a BOS is not a computer program or a replacement for an ERP or CRM. It’s the processes, systems, and roles and responsibilities that allow organizations to operate consistently and efficiently. Put simply, a BOS is an operating model where an organization’s mission, vision, and strategy influence how they do business.

Too often, norms and processes in an organization are morphed out of individual leadership capabilities. Finance adheres to a set of norms, IT adheres to a different set of norms, and so on—but they conflict with one another. It creates inconsistencies, inhibits collaboration, and prevents organizations from scaling effectively. A strong business operating system aligns departments and functions across the organization to optimize value creation.

Context of a Business Operating System

Before jumping in, it's important to understand how and where a business operating system fits into an organization. The visual below provides context.

Corporate inputs are the starting point and these lay the foundation for a business operating system. The business operating system is at the core of the organization and will help bring clarity to existing documentation (aka outputs). These outputs should be updated as a part of an ongoing process.



In this guide, we'll be focusing on building out the six components listed above.

The Toolkit

The following pages in this guide cover the six components of a comprehensive and effective business operating system.





Guiding Principles

Value

Guiding principles are short statements that describe core values. They outline goals for interacting with and serving the rest of the business. For guiding principles to have a real impact, they should be based on input from all other areas of the organization. These guiding principles serve to provide structure and direction. Without them, it's a little like riding a horse without a bridle. You'll get somewhere, but it might not be where you intend.

Do's

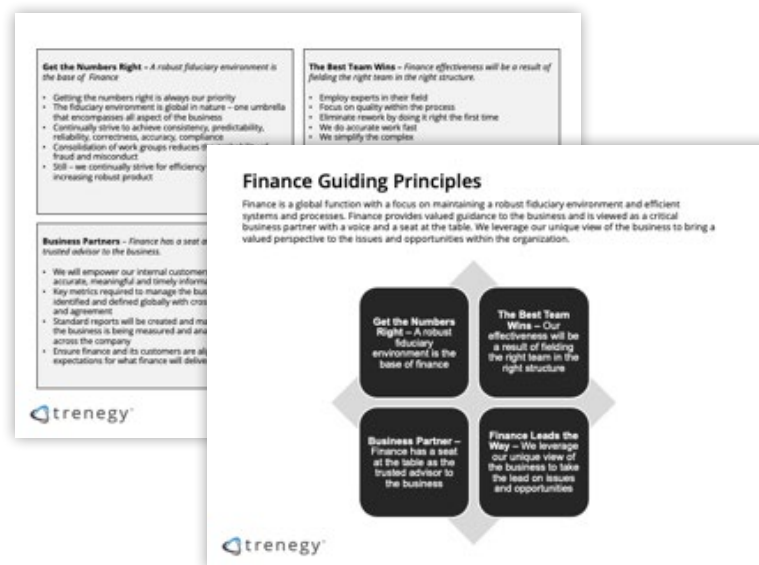
- Keep the statements brief and clear
- Communicate to everyone on the team and other teams across the company
- Strive for inspirational statements
- Use the process as a way to encourage the team to challenge the status quo

Key Steps

1. Review organization's mission and vision
2. Make a prioritized list of what is important to the team
3. Gather leadership team to brainstorm guiding principles
4. Review guiding principles with executives and other teams for feedback
5. Communicate principles to the entire team

Don'ts

- Don't confuse guiding principles with goals
- Don't get bogged down with too many principles
- Don't spend too much time wordsmithing





Process Improvement Vision

Value

A process improvement vision is a picture of how well a company wants to perform across key processes and what capabilities are needed to accomplish goals. Creating a process improvement vision helps companies decide what peak performance looks like for each department.

Do's

- Communicate across departments to ensure there are no inconsistencies
- Focus on what the organization should be doing
- Start with process and organization leading practices
- Be honest about current barriers

Key Steps

1. Define key work processes required to run the business
2. Identify sub-processes and activities within each key work process
3. Gather team to identify barriers to success
4. Identify how process changes, organization roles, and systems can be leveraged to achieve goals
5. Share practices and goals with other teams and executives for feedback

Don'ts

- Don't be too detailed or bogged down with minute steps
- Don't identify leading practices solely focused on technology

Inquiry to Order Process Improvement Vision Product Management

Common Industry Issues	Su...
1. Lack of global visibility of demand, cost, forecast, and market needs make it difficult to manage the product line portfolio.	Pr...
2. Not capturing customer product requests or customer feedback.	...
3. Proliferation of SKUs makes it very difficult to effectively manage the product portfolio and savings.	...
4. Product line death, new products, alternatives are not communicated to other departments and across regions.	...
5. No robust or transparent prioritization methodology with new product development or incorporating ROC and KOB (aka of business).	...
6. Not incorporating customer feedback in product development project prioritization.	...
7. Visibility into dependent demand.	...
8. Roles and organization structures are not defined to enable product line management ownership and to achieve our goals.	...
9. We lack analysis not reflecting customer input from the market and KOB.	...

Process Improvement Vision Agenda
A process improvement vision needs to be developed to reflect business needs.

Market to Sell → Market

Order to Cash → Order Management

Plan to Inventory → Plan

Procure to Pay → Requisition

Record to Report → Plan

Hire to Retire → Hire

Environment, Health, & Safety → Compliance

Market to Sell Process Flowchart:

- Market**
 - Perform market Research
 - Identify market trends
 - Track market share
 - Execute market initiatives
 - Maintain brand strategy
 - Manage promotional activities
 - Develop channel strategy
 - Manage customer web presence
- Product Management**
 - Review customer specs
 - Conduct feasibility analysis
 - Design products
 - Introduce & promote product
 - Manage product data
 - Rationalize product portfolio
 - Conduct quality reviews
 - Gather customer feedback
 - Profitability analysis
 - Retire products
- Pricing & Contracts**
 - Maintain pricing governance process
 - Perform pricing analytics
 - Maintain global price book
 - Manage rebates and allowances
 - Deal performance reviews
 - Develop pricing models
- Sales**
 - Identify sales leads
 - Engage prospects
 - Engage with channel partners
 - Conduct sales analysis
 - Manage sales portfolio
 - Pipeline analysis
 - Negotiate pricing & contracts
- Sales Support**
 - Create & submit quotes
 - Maintain customer master data
 - Manage customer expectations
 - Resolve customer requests
 - Voice of the customer analysis
 - Manage customer lead times

RACI



Value

A RACI is a tool enabling organizations to identify roles within processes established in the Process Improvement Vision. The RACI identifies who is **R**esponsible, **A**ccountable, **C**onsulted, and **I**nformed for each business activity. A well-constructed RACI identifies duplication of efforts and allows organizations to streamline roles and decision making. It's often used to ensure the organization isn't wasting money on excess staff.

Do's

- Make sure everyone understands what the four components of a RACI mean
- Break up activities where there are potentially multiple "accountable" roles
- Use a large group setting to build consensus when developing a RACI
- Align RACIs across all business functions to identify overlap

Key Steps

1. Gather list of activities from the Process Improvement Vision
2. Identify key roles within the organization
3. Gather team leaders to map who is responsible, accountable, consulted, and informed for each activity
4. Identify areas of overlapping accountability and adjust the RACI accordingly
5. Capture process improvements needed to implement RACI
6. Rationalize RACI with job descriptions, policies, and procedures

Don'ts

- Don't include approval steps as an activity (e.g. approve payroll)
- Don't have multiple people accountable for one activity
- Don't overthink consult and inform

Business Process Optimization RACI		Varis	Steve	Lisa, Mike, Teri, James, John	CPDT Members	Robie	Executive Leadership
Project Phase	Activity	Project Lead	BPO Lead	Advisory Team	CPDT	CEO	ALT
Survey	Complete Initiation Request (Phase 0)	R	A				
Analysis	Complete Phase II of Business Case	R	C	A	C, I		
Analysis	Review drafted Business Case		R, A	C			
Confirm	Approve project	C, I	R	A			
Confirm	Determine project funding, priority, and kick-off	C	C	R		A	
Confirm	Develop Change Management Plan	R	A	C, I	C, I		
Confirm	Review and approve Change Management Plan	C, I	R, A	C, I	C, I		
Confirm	Complete PMI or A/E Forms	R, A	C, I				
Implement	Present Status and Milestone Updates	R	A, C	C, I			
Implement	Communicate Project Risks and Issue Resolution	R, A	C, I	C, I	C, I		
Implement	Track project scope changes and obtain approval from	C	R	A	C, I	C, I	
Implement	Conduct Change Readiness Assessment	R, A	C, I	C, I	C, I		
Implement	Communicate Go/No-Go Decision	C, I	C, I	R, A			
Sustain	Provide Project Evaluation & Sign-Off	R	A				
Sustain	Document Lessons Learned	A, C	R	C			
Sustain	Perform project lookbacks	A, C	R				



Performance Metrics

Value

Performance metrics identify key leading and lagging indicators of an organization's success. Performance metrics give individuals and teams a way to measure success in alignment with overall organizational goals. An integrated and well-defined performance metrics program helps teams and individuals know what's important for success and drives them to focus on achieving what's important.

Do's

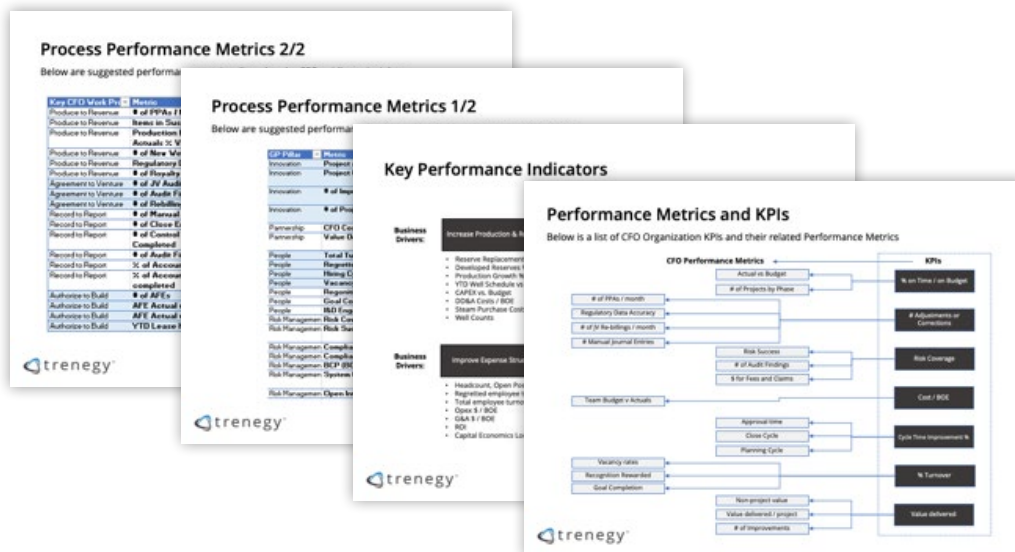
- Remove critical success factors that cannot be measured (e.g. employee happiness)
- Keep metrics simple and straightforward
- Clearly define each performance metric to avoid confusion
- Prioritize leading and lagging indicators
- Clearly understand how metrics tie to overall organization value measures and goals

Key Steps

1. Review company goals and objectives
2. Identify critical success factors needed to achieve objectives
3. Identify metrics for each critical success factor
4. Review metrics with teams to identify process for capturing and reporting metrics
5. Set targets and align metrics with team and individual goals
6. Incorporate metrics in performance management processes

Don'ts

- Don't create complicated formulas
- Don't consolidate multiple metrics into one complex metric that nobody understands
- Don't include metrics that aren't tied to the organization's critical success factors





Service Level Charters

Value

Service level charters rationalize the work being done in each role and drive accountability for meeting efficiency targets. Defining responsibilities and accountabilities can prevent duplication and reduce error rate. A service level charter that defines roles between departments improves communication, provides a source of accountability, and increases efficiency for everyone involved.

Do's

- Keep it to one page so it's a quick, easy read
- Assign single team accountability for each
- Include what's expected of the internal customer in turn for the service provided
- Understand potential costs for a higher or lower level of service
- Include the right parties in the negotiation of agreements
- Identify clear metrics for measuring success

Key Steps

1. Prioritize critical work processes providing a service to other parts of the organization
2. Identify scope and limitations of service provided
3. Identify service metrics and targets
4. Identify risks and expectations from internal customers
5. Review and negotiate charters with internal customers
6. Build charter governance processes

Don'ts

- Don't create charters for internally focused activities that aren't tied to internal customer success
- Don't create long, wordy charters that won't be read by anyone
- Don't overcomplicate internal customer expectations
- Don't set targets that cannot be achieved

Agreement to Venture: Planning & Budgeting

Record to Report: Close

Procure to Pay: Payables

Support Service Owner: Treasury	Customer Sponsor: CFO
Business Driver Supported: Land, Revenue, AP, Payroll	Associated Costs & Cost Drivers: 15-20 minutes daily from Payment team, daily per-req commitments from Treasury accountants per up to 6 hours of email access

Payment Release

- Description of Service:** Release of payments in support of the following functions: Land, Revenue, AP, and Payroll
- Services Out of Scope:** Generate remittance advice, change banking information (e.g., bank codes, bank identifier, etc.), make corrections to errors, sample and total bank information
- Recipient (Customer) of Service:** Land, Revenue, AP, Payroll
- Coverage Provided:** Payment of royalty owners, payment of vendors in accordance with contract terms, positive pay disbursements, and clearing distributions to member companies, on-time tax and address payments to avoid penalties, on-time payroll release
- Service Expectations:** Payments will be made accurately and on-time, banking information will be accurate
- How Service is Provided:** Payment team will verify dates, document counts, and batch amounts with the applicable report. Treasury will update payment details and complete payment release checks. Treasury will submit the release and notify required parties (Ops Accounting Manager, payment staff, and Shell Cash Forecasting) of approved payments
- How Service is Measured:** Accurate and on-time payment release
- When Service is Measured:** Per payment due

Performance Measurement Goals:

- 100% payment accuracy
- All payments released by or before due date

Expectations of Customer:

- Submission of accurate payment information
- Timely submission of payment information
- Submission of complete and accurate one-time vendor information with appropriate document numbers and approvals included in email

Follow-up Date:

Support Follow-up:

Customer Follow-up:



Initiative Charters

Value

Initiative charters are a way to scope and prioritize project work that needs to be accomplished within the organization. Initiative charters are a mini business case and scope document containing the rationalization, scope, milestones, risks, and resources for each initiative. Initiative charters hold teams and individuals accountable for success and ensure the organization is aware of upcoming changes across teams.

Do's

- Clearly identify the rationale for each initiative
- Capture other options that were considered
- Ensure timeline and milestones are achievable
- Track success and progress of initiatives under a program to tie the initiatives together
- Understand the organization's real capacity for getting things done

Key Steps

1. Prioritize leading practices and barriers to success from Process Improvement Vision and RACI
2. Group practices and challenges into logical initiatives
3. Scope project work to be completed (timing, costs, milestones, etc.)
4. Develop a value case for each initiative and re-prioritize
5. Identify dependencies and internal capacity to set timing expectations
6. Assign ownership and accountability for each initiative and incorporate with the performance management process

Don'ts

- Don't include initiatives that have a clear start and finish date
- Don't include initiatives without tangible outputs
- Don't treat initiatives as a one-time event—it's an ongoing process



Want to Learn More?

At Trenegey, we specialize in supporting organizations as they implement and maintain their business operating system. If your organization requires guidance or would like to explore industry best practices, feel free to contact us at info@trenegey.com. We would be delighted to assist you.

