Operating Model
Effectiveness
To restore and maintain confidence in the long term, businesses must understand and manage risk better through improved operational efficiency, increased transparency and greater global coordination within their organizations. These are elements that can be addressed using a global business strategy and Supply Chain model - often called Operating Model Effectiveness (OME). This has been recognized by future-sighted companies which are using the current economic situation to implement these changes.

Based on our experiences from working with many of these companies, we looked at three strategic objectives that are crucial to the overall business strategy and chosen Supply Chain operating model for companies that are serious about sustaining and improving their business performance.

1. **Operational efficiency**
   To improve business performance, an organization needs to increase its operational efficiency. It needs to consider the changing market environment and any changes in customer requirements. In the current climate of economic uncertainty, it is important to have sufficient cash resources to meet current and future obligations.

   An overall reduction in Supply Chain costs can release cash for future investment or for buying back company debt, which would help capital efficiency. Indirect taxes are another area where it is relatively simple to free up working capital. The multinational companies that have implemented Operating Model Effectiveness (OME) models range from pharmaceutical and chemical companies to consumer products and the high tech and automotive industries.

2. **Increased integration**
   The second area of improvement for multinational and multi-divisional companies is to increase integration within their organizations, primarily through transparency. Organizations, systems and data need to be transparent in order to leverage process integration. An organizational culture and structure that is unwilling to share information across business divisions and functional areas, will achieve limited organizational learning and improvement.

3. **Greater global coordination**
   Increased integration and transparency provides global visibility in the execution of business operations. Companies need to transform themselves from multinational corporations to truly global organizations by following a series of coordinated processes. The implementation of these global processes helps with the creation of global hubs to serve all of...
In a globalized world, international companies compete on operating model vs. operating model...
Why perform an OME analysis?

There are a number of examples of transformational needs calling for an OME analysis.

- **Regionalization/globalization trend** - moving from nationally focused business to a (sub) regional or global business structure in single or multiple organizational functions

- **Supply Chain models** in relation to **Online businesses or channels**

- **Cost pressures** signal need for cost reduction, improved working capital and efficiencies

- **Duplication of functions**, and lack of synergies across operating companies, divisions and business units

- International **network optimization** programmes e.g. for Manufacturing, Warehousing, Sales, R&D, etc.

- Pending or upcoming **M&A integrations**

- Business expansion or market entry into **new geographies**, with international supply chains

- Supply chain & **trade flow optimization** and simplification planned or underway

- Corporate simplification/ **legal entity rationalization** initiatives

- Upcoming or existing **IT implementation programs** (e.g. implementation of enterprise resource planning (ERP) systems and/or major systems and process harmonization work)

- Volatile **tax profiles**, trapped tax losses or reliance on traditional tax planning to manage group ETR
EY and OME

At EY we have a holistic Business & Tax aligned approach, that foster and protect the realization of operational and financial benefits.
EY differentiation and how to start?

### EY differentiators

<table>
<thead>
<tr>
<th>EY has the most integrated Tax-Advisory team - this ensures better designs and predictable implementation</th>
<th>1. OME Integration</th>
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<tbody>
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<td>Structured methods 150+ projects Deep industry experience</td>
<td>2. OME methods &amp; Experience</td>
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<td>EY leads the integrated OME space</td>
<td>3. OME Leaders</td>
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### Typical entry points

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<th>1. Opportunity assessment</th>
<th>‘Can a revised Operating Model add value?’</th>
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</thead>
<tbody>
<tr>
<td>2. Detail design &amp; Implement the Model</td>
<td>‘What does the detailed design look like, how to drive change?’</td>
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<td>3. Sustain the Model</td>
<td>‘How to manage risk and protect the value?’</td>
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</tbody>
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Interested in Operating Model Effectiveness?
Contact us!

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About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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