

OPERATING PLAYBOOK

01

OPERATING MODEL DESIGN

Designing the architecture through which strategy becomes execution.

Brand · Product · Systems · Capital
European Union · Milan

Most organisations do not fail because of strategy.

They fail because strategy and execution are governed through structures that no longer reflect the reality of the system.

Growth creates complexity.

Complexity exposes structural weakness.

Structural weakness slows decisions, fragments accountability and increases dependency on individuals.

An operating model exists to prevent this fracture.

It defines how an organisation creates value, distributes authority, coordinates capabilities, governs decisions and translates strategic intent into repeatable execution.

For Virgili Studio, operating model design is not an organisational chart exercise.

It is the construction of a governed system.

Why most operating model projects fail.

Most operating model projects fail for the same reason.

They attempt to redesign structure before redesigning governance.

Structure is visible.

Governance is not.

Yet governance determines whether structure performs.

Most organisations respond to complexity by changing reporting lines, creating new functions or redrawing organisational charts.

Few redesign the decision architecture through which the organisation actually operates.

THE THESIS

Operating Model Design is not a structure project.

It is a governance project expressed through structure.

Structure without governance produces interpretation.

Governance through structure produces alignment.

The gap is not strategic. It is architectural.

CONTENTS

01	The Situation	4
02	The Structural Pattern	6
03	What Breaks Without an Operating Model	8
04	Operating Model Architecture	10
05	The Three-Phase Process	14
06	Decision Rights Model	17
07	Capability Architecture	19
08	Failure Modes	21
09	Related Systems	23
10	Closing Statement	24

When this Playbook Becomes Necessary

This playbook becomes relevant when an organisation has evolved faster than its internal architecture.

- **Accelerated Growth**

The organisation has grown in revenue, markets, products or teams, but its decision structures remain informal, founder-led or functionally fragmented.

- **Founder Dependency**

The founder, CEO or principal still operates as the main source of direction, validation, escalation and coherence.

- **Strategic Drift**

The strategy exists, but execution varies across functions, teams, markets or business units.

- **Scale Readiness**

The company is preparing for investment, transformation, international growth, succession, acquisition or institutionalisation.

- **Geographic Expansion**

The company operates across multiple markets, but authority, standards and execution logic remain concentrated in the original centre.

- **Capability Fragmentation**

Critical capabilities exist inside the organisation, but they are not clearly owned, coordinated or governed.

- **Post-Acquisition Pressure**

Two systems need to converge, but their operating rhythms, decision rights, capabilities and cultures remain misaligned.

WHEN
THE
SYSTEM
OUTGROWS
ITS
STRUCTURE.

The gap between organisational reality and its governing architecture is the single most common cause of execution failure.

Operating model design closes that gap.

It is not a strategic exercise.

It is a structural intervention.

The organisation has evolved. The architecture has not.

At the beginning, organisations often work because proximity replaces structure.

The founder knows everything. The team is small. Decisions are fast. Informal communication works. Culture is transmitted directly.

Then the system grows.

More people enter. More markets open. More categories emerge. More functions appear. More investors, partners, suppliers and stakeholders become involved.

At that point, proximity no longer governs the system.

The original model starts to break.

Not because the business is weak.

Because the architecture that once made the business work is no longer sufficient to govern its next stage.

Operating model design intervenes at this point.

It transforms informal coherence into governed coherence.

EARLY STATE

Proximity replaces structure.
Founder governs informally.
Speed through closeness.



System scales →

SCALED STATE — UNARCHITECTED

Architecture insufficient.
Proximity no longer governs.
Coherence fragments.



OPERATING MODEL DESIGN

Informal → governed coherence.
Structure reflects strategy.
Architecture enables scale.

WHAT BREAKS WITHOUT AN OPERATING MODEL

Operating models rarely fail everywhere at once. They break in predictable places.

01

Decision Rights

Nobody knows exactly who decides what. Decisions are escalated unnecessarily. Important decisions are delayed. Minor decisions consume executive attention. When decision rights are unclear, strategy becomes negotiation.

02

Accountability

Responsibility becomes distributed, but ownership disappears. Everyone contributes. Nobody owns the outcome. The organisation becomes collaborative on the surface and structurally ambiguous underneath.

03

Information Flows

Information increases, but understanding decreases. More dashboards. More meetings. More reporting. Less clarity. The problem is not lack of information — it is that information is not structured around decisions.

04

Capability Ownership

The organisation knows what it wants to do, but not which capabilities must exist to do it. Product, brand, retail, commercial and governance evolve at different speeds. The system becomes uneven.

05

Coordination

Functions optimise locally. The organisation deteriorates globally. Each department protects its own logic, but the system loses coherence.

06

Founder Bottleneck

Everything important returns to the same person. This creates speed in the short term and fragility in the long term. The organisation cannot scale beyond the decision capacity of the individual.

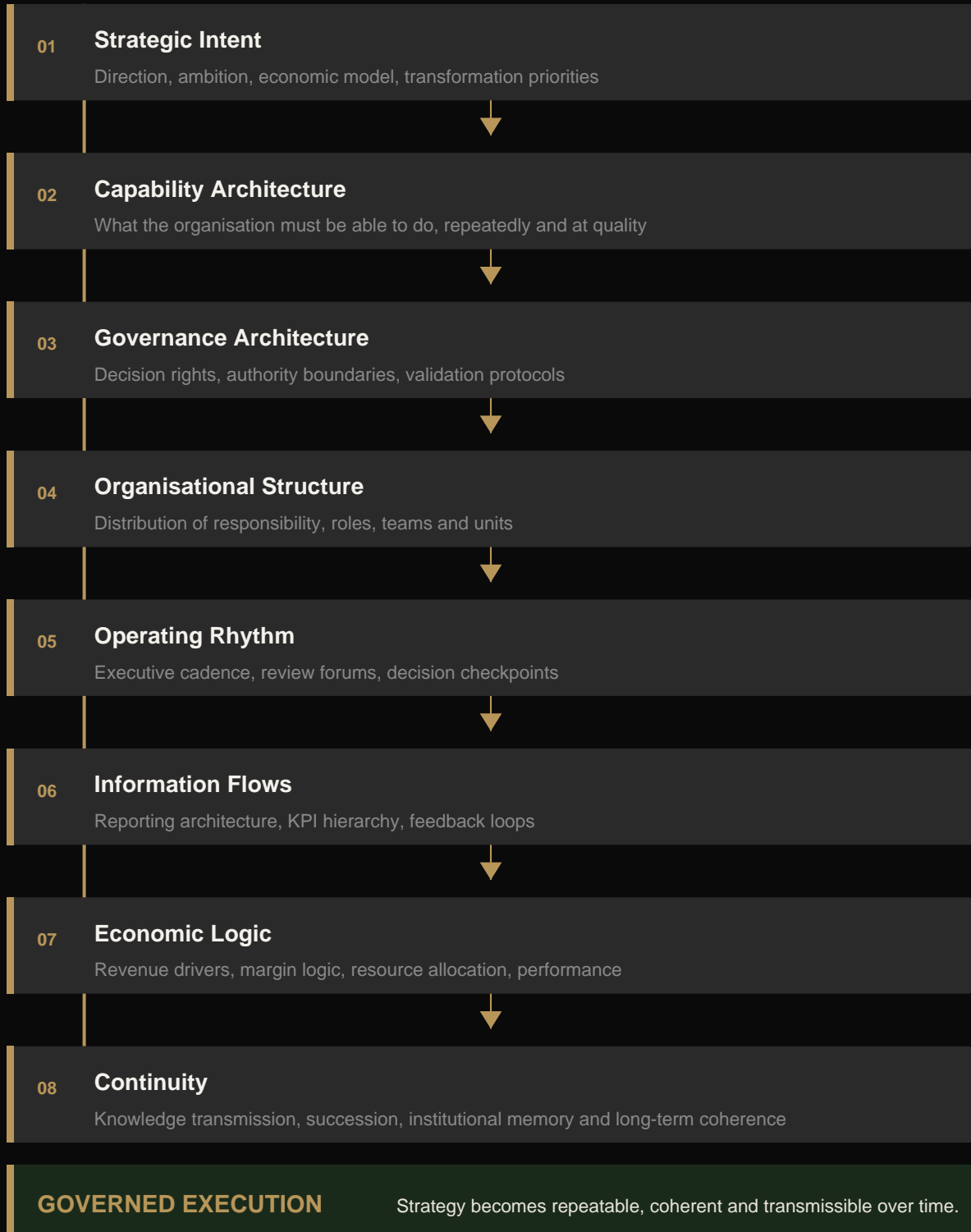
07

Execution Variability

The same strategy produces different results across teams, markets or initiatives. The issue is not execution discipline alone — it is architectural inconsistency.

EXECUTION ARCHITECTURE™

Eight interconnected layers that translate strategic intent into governed execution.



The Execution Architecture™ must answer eight executive questions:

1. What is the organisation trying to become?
2. Which capabilities must exist for that future to be possible?
3. Who has authority over the critical decisions?
4. How does information move through the system?
5. How is accountability assigned and verified?
6. How does the organisation adapt when complexity increases?
7. What must remain coherent across people, markets, products and time?
8. How does the organisation transmit knowledge, authority and coherence beyond individuals?

Strategic Intent

Defines direction, ambition and non-negotiable priorities.

Growth ambition · Market position · Product logic · Brand authority · Economic model · Transformation priorities

Capability Architecture

Identifies what the organisation must be able to do — repeatedly, coherently and at quality.

Existing · Missing · Duplicated · Under-governed · Individual-dependent · Required for next stage

Governance Architecture

Establishes how the system decides.

Decision rights · Validation protocols · Escalation paths · Governance forums · Authority boundaries

Organisational Structure

Distributes responsibility and reflects strategic, capability and governance logic.

Functional · Product · Geographic · Platform · Matrix · Hybrid · COE · Hub-and-spoke

Operating Rhythm

Defines how the organisation moves through cadence, forums and checkpoints.

Executive cadence · Performance forums · Strategic reviews · Portfolio reviews · Escalation cycles

Information Flows

Structures information around decisions, not volume.

Reporting architecture · KPI hierarchy · Dashboard logic · Feedback loops · Institutional memory

Economic Logic

Connects structure to value creation and performance.

Revenue drivers · Margin logic · Cost structure · Investment priorities · Productivity · Value timeline

Continuity

Ensures knowledge, authority and coherence extend beyond individuals and across time.

Succession architecture · Knowledge codification · Institutional memory · Coherence transmission · Long-term resilience

THE THREE-PHASE PROCESS

The structure is simple. The work is deep.

01

Structural Diagnosis

Measure before you decide

OBJECTIVE

Classify the current structural condition of the organisation.

KEY QUESTIONS

- Is the system governed, interpreted or structurally unstable?
- Which decisions are clear, delayed or duplicated?
- Which capabilities are essential but under-owned?
- Where does execution depend on individuals?
- What must be protected, redesigned or institutionalised?

OUTPUTS

- Current State Assessment
- Structural Risk Map
- Capability Map
- Decision Rights Diagnostic
- Governance Maturity Assessment
- Bottleneck Analysis

02

Target Architecture

Structure before you scale

OBJECTIVE

Design the model that allows the organisation to execute its next stage.

KEY QUESTIONS

- What must the organisation be able to do that it cannot do today?
- Which capabilities must be built, strengthened or separated?
- Which decisions must move closer to execution?
- Which decisions must remain centralised?
- What must no longer depend on the founder or informal knowledge?

OUTPUTS

- Target Operating Model
- Capability Architecture
- Governance Architecture
- Decision Rights Matrix
- Organisational Design Options
- KPI and Reporting Architecture

03

Implementation Roadmap

Govern what changes

OBJECTIVE

Translate architecture into action through governed implementation.

KEY QUESTIONS

- What must change first?
- Which decisions must be governed immediately?
- Which capabilities must be built before structure changes?
- Which metrics will prove the model is working?
- Which risks must be monitored during transition?

OUTPUTS

- Transformation Roadmap
- Implementation Waves
- Governance Activation Plan
- Leadership Alignment Plan
- Change Impact Map
- Performance Review Cadence

DECISION RIGHTS MODEL

Operating models become real when decision rights are explicit.

A decision rights model prevents authority from being confused with involvement.

Not everyone involved in a decision owns the decision.

	RECOMMEND Proposes course of action based on analysis	DECIDE Holds authority and owns the outcome	VALIDATE Reviews and approves before execution	EXECUTE Implements the decision	INFORM Receives information after decision is made
Decision Area	Recommend	Decide	Validate	Execute	
Strategy	Executive Team	CEO / Board	Board / Investors	Leadership Team	
Product Architecture	Product Lead	Product Governance	Executive Forum	Product Teams	
Market Expansion	Commercial Lead	CEO / Inv. Committee	Finance / Governance	Market Team	
Brand Authority	Brand / Creative Lead	Governance Forum	Principal / Executive	Brand Teams	
Operating Model	Transformation Lead	CEO / Executive Forum	Governance Board	Functional Leads	
Investment Priorities	Finance / Strategy	CEO / Board	Investors / Board	Executive Team	

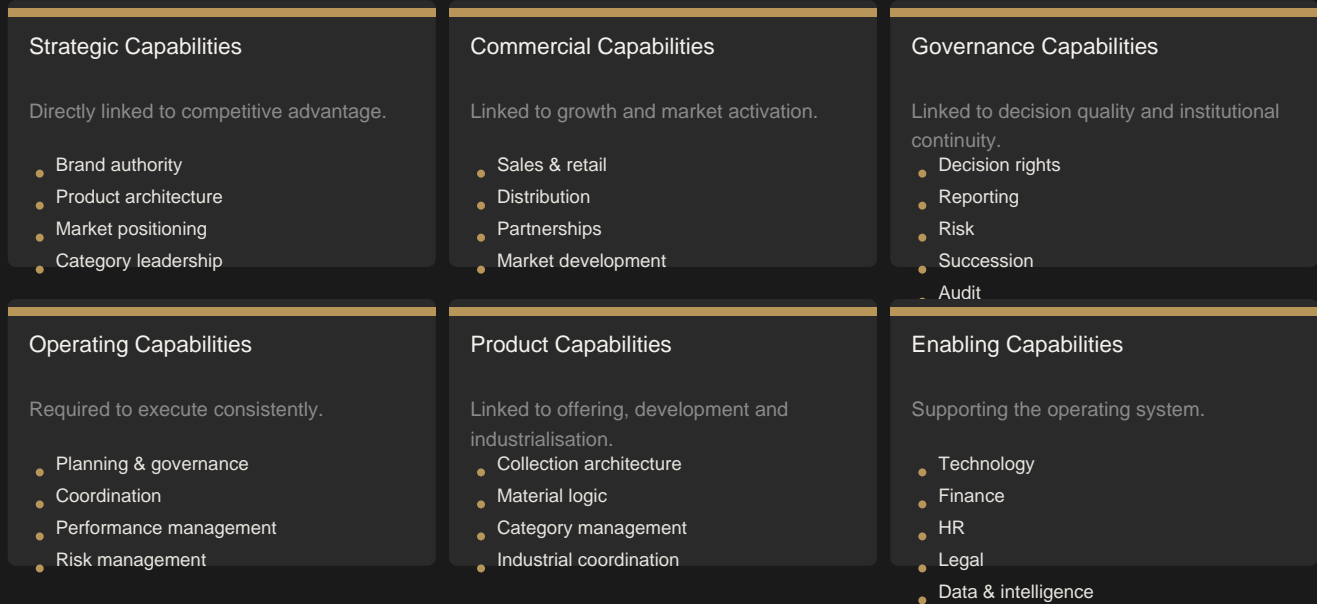
This matrix must be adapted to each system. The principle remains constant: decisions must be located, not negotiated repeatedly.

CAPABILITY ARCHITECTURE

A capability is not a department.

A capability is something the organisation must be able to do repeatedly, coherently and at the required level of quality.

The most important question is not whether a capability exists. The question is whether it is governed.



FAILURE MODES

Operating model failures are usually visible before they become critical.

Founder Bottleneck

The organisation grows. Authority remains concentrated in one individual. Decisions slow. Leadership dependency increases. The organisation cannot scale beyond the decision capacity of the individual.

Structural Inertia

The organisation evolves. The structure remains unchanged. Legacy roles remain central. New priorities have no owner. Teams work around the structure.

Reporting Inflation

More reports. Less understanding. Excessive dashboards, unclear KPIs, meetings without decisions. Information is not designed around decision-making.

Capability Ambiguity

Critical capabilities exist. Nobody owns them. Duplicated work. Inconsistent execution. Fragmented standards. Hidden dependencies multiply.

Governance Theatre

Meetings increase. Decisions do not. Recurring forums without resolution. Decisions revisited repeatedly. The organisation has rituals, but not governance.

Local Optimisation

Functions perform. The system weakens. Departments hit local targets. System-level outcomes deteriorate. Cross-functional tension increases.

Scale Without Transmission

The organisation expands. Knowledge does not travel. Market inconsistency. Repeated mistakes. Dependency on original team. Loss of product or brand coherence.

The architecture has not evolved with the system.

FOUNDER DEPENDENCY CURVE

Every organisation begins with the founder as its primary source of knowledge, direction and coherence.

Scaling requires a deliberate, governed transition from personal authority to institutional architecture.

01 Founder-Led

Knowledge resides inside the founder. Direction, validation, decisions and coherence are centralised in one individual. The system works through proximity and personal authority.

02 Founder-Enabled

Capabilities begin to distribute across trusted individuals. The founder enables execution but remains the primary source of strategic validation. Governance is informal but intentional.

03 Institution-Led

Governance structures become primary. Decisions are made through defined forums, decision rights and operating rhythms. The founder becomes a principal, not the principal operator.

04 Institution-Governed

The system remains coherent independently of individuals. Knowledge is codified. Authority is architectural. The organisation can grow, transform and transmit itself across people and time.

THE INSTITUTIONAL IMPERATIVE

Most organisations remain permanently in the Founder-Led or Founder-Enabled stage — not by choice, but because no architecture is ever designed to enable the transition.

Operating Model Design creates the structural conditions for this transition to occur.

Without it, the organisation cannot scale beyond the decision capacity of its principal.

RELATED PLAYBOOK

Founder Transition

The governed architecture for moving from a founder-centred system to an institution that endures independently of individuals.

OPERATING MODEL SCORECARD

The scorecard provides a structured view of operating model maturity across eight dimensions.

Dimension	Low Maturity	Medium Maturity	High Maturity
Strategy Execution	Strategy interpreted differently across the organisation	Strategy broadly understood but unevenly executed	Strategy translated into clear operating priorities
Decision Rights	Decisions unclear or repeatedly escalated	Some decision rights defined	Decision rights explicit and governed
Capabilities	Capabilities informal or person-dependent	Capabilities identified but unevenly governed	Capabilities mapped, owned and measured
Governance	Meetings exist but authority unclear	Forums exist with partial decision logic	Governance cadence supports execution
Structure	Legacy structure dominates	Structure partially aligned with strategy	Structure reflects strategic and capability logic
Information	Reporting abundant but unclear	Reporting supports some decisions	Information flows designed around decisions
Accountability	Responsibilities overlap	Roles broadly defined	Ownership and outcomes explicit
Adaptability	Change reactive	Change managed by projects	Change governed through operating rhythm

TYPICAL DELIVERABLES

An Operating Model Design mandate may produce the following outputs across five categories.

Executive Deliverables

- Operating Model Assessment
- Target Operating Model
- Executive Summary
- Strategic Alignment Map
- Structural Risk Map
- Transformation Roadmap

Governance Deliverables

- Governance Architecture
- Decision Rights Matrix
- Executive Cadence
- Escalation Protocols
- Governance Forums
- Board / Executive Reporting Logic

Organisational Deliverables

- Capability Map
- Organisation Design Options
- Role and Accountability Model
- Leadership Responsibility Map
- Talent and Capability Implications

Performance Deliverables

- KPI Architecture
- Balanced Scorecard Logic
- Performance Review Cadence
- Value Creation Metrics
- Post-Implementation Evaluation

Implementation Deliverables

- Implementation Waves
- Change Impact Map
- Risk and Dependency Register
- Communication Logic
- Activation Plan

ENGAGEMENT PATHS

Operating Model Design can be activated through three engagement paths, each calibrated to a different organisational context and executive requirement.

01

Strategic Advisory

For executive teams requiring diagnosis, direction and structural clarity before making organisational decisions.

TYPICAL SCOPE

- Executive assessment
- Current state review
- Strategic alignment
- Operating model recommendations
- Decision architecture

02

Executive Mandate

For organisations requiring Virgili Studio to design and structure the operating model directly.

TYPICAL SCOPE

- Full operating model design
- Governance architecture
- Capability mapping
- Organisational design
- Roadmap
- Implementation governance

03

Operating Partner

For systems requiring direct involvement in execution, transformation, governance activation or institutionalisation.

TYPICAL SCOPE

- Embedded operating support
- Leadership alignment
- Governance activation
- Performance rhythm
- Transformation execution
- Investor / board reporting

RELATED VIRGILI STUDIO SYSTEMS

This playbook connects to the following Virgili Studio proprietary systems. Each system addresses a distinct layer of institutional design and execution.



- **Governance Architecture**
Designs authority, decision-making and control structures across complex systems.
- **Diagnostic Systems**
Measures whether the system is governed, interpreted or structurally unstable before intervention.
- **Institutional Stability Index™**
Evaluates stability across identity, product, market and organisation dimensions.
- **Governance Spine™**
Structures decision continuity and operational governance across the system.
- **Institutional Architecture™**
Defines the operating structure through which strategy becomes executable.
- **Brand Governance Diagnostic Kit**
Assesses brand identity through authority, validation, traceability and protection.
- **Product Intelligence Library**
Supports transmission of product logic, material standards and creative direction across teams and time.

RELATED PLAYBOOKS — VIRGILI STUDIO LIBRARY

- 01 Operating Model Design
- 02 Founder Transition
- 03 Executive Operating System
- 04 Scale Architecture
- 05 Family Business Evolution
- 06 Post-Acquisition Integration

An operating
model is not
a chart.

It is the
architecture
of execution.

Operating Model Design is the first layer of institutional transformation.

The moment where direction becomes structure, structure becomes governance,
and governance becomes continuity.

VIRGILI STUDIO

Executive Operating Studio · Brand · Product · Systems · Capital

All frameworks, methodologies and operating models are proprietary intellectual property.