

THOUGHT LEADERSHIP

Are you running a cost program, or running your organization?



Most organizations respond to economic pressure the same way: cut budgets, freeze headcount, set savings targets. It works – briefly. Then, almost without exception, costs return. The problem is that the question being asked is wrong. The question worth asking is how the organization should operate. That distinction is the difference between temporary relief and structural change.

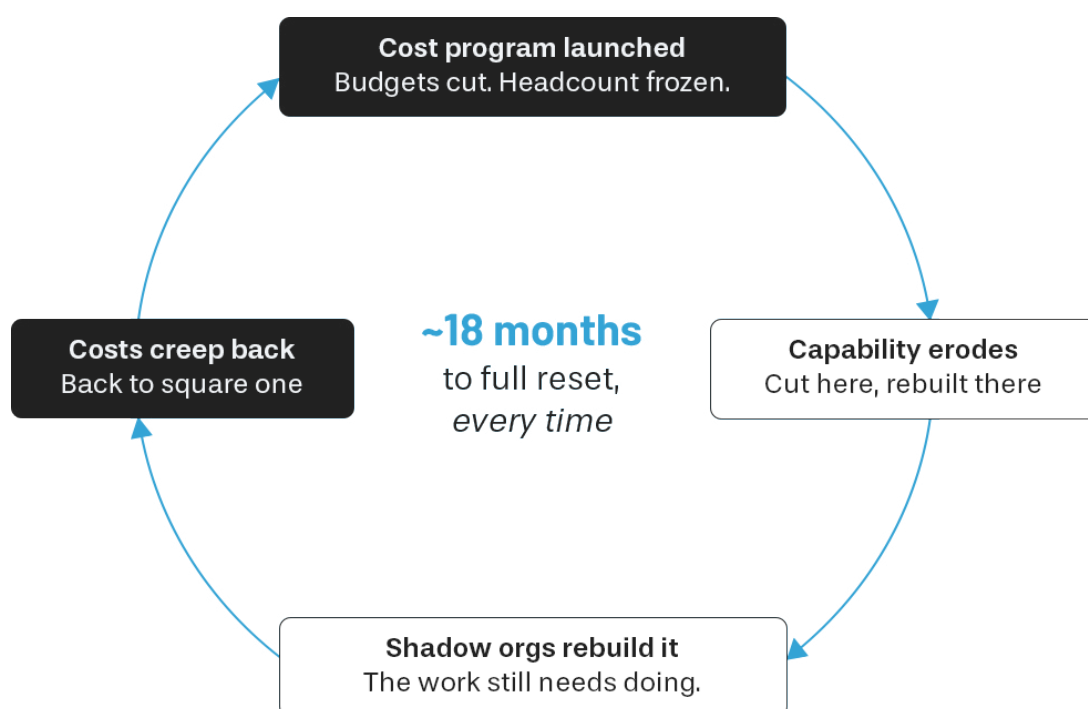
The pattern everyone recognizes but nobody names

The urgency inside a cost program is real. The targets are non-negotiable. Finance sends the deck, functions are told to find ten or fifteen percent, and three months later the program is declared a success.

Then, usually within 18 months, something quietly happens. The capability that was removed starts to reappear – rebuilt inside business units who needed it and couldn't do without it. The headcount that was cut gets rehired under different job titles. The cost base creeps back.

This is a failure of design, not a failure of will.

When the operating model stays the same, the organization gravitates back to its original cost structure. Every time.



Cost programs, on their own, don't change how an organization operates. They reduce what it spends on operating the same way. The savings don't hold because the system that generated the costs remains unchanged.

What actually drives sustainable efficiency

The organizations that achieve lasting cost discipline share one characteristic: they treat cost reduction as an opportunity to redesign how they operate, engaging with the operating model – the decisions, structures, and mechanisms that determine how strategy gets executed day to day. How are decisions made, and by whom? How is work prioritized across competing demands? How do capabilities get organized and resourced? These questions sit upstream of any cost line item. Get the design wrong and the costs will follow.

Get it right, and something different happens. Efficiency stops being a periodic program and becomes a natural consequence of how the organization works. Duplication disappears because accountability is clear. Decisions happen faster because the right people are empowered to make them. Resources flow to where they create value because the portfolio is actively managed.

Sustainable efficiency is an outcome of good organizational design.

The uncomfortable conversation most leadership teams avoid

There is no universal operating model. The right design depends on strategy, competitive context, and where the organization needs to move. Four archetypes capture the main options, and most organizations sit somewhere between them:

Centralized

- Capabilities and decisions held at the enterprise center
- Scale and consistency are the payoff
- Works well in regulated industries with standard products
- The hidden cost: the frontline slows down, and local needs get squeezed into central templates

Federated

- Business units own their capabilities and P&Ls
- Autonomy and customer proximity are valued
- Suits diverse markets and different customer needs by segment
- The hidden cost: expensive duplication, every business unit rebuilds the same capabilities independently

Platform-based

- Shared technology, data, and operations delivered centrally, with local teams drawing on them to execute
- Effective at scale when efficiency and local responsiveness both matter
- The hidden cost: platform quality becomes the ceiling, and adoption suffers when teams feel the model is imposed rather than genuinely useful

Outcome-led

- Teams organized around products or customer journeys rather than functions, owning outcomes end to end
- Powerful in digital-native or high-velocity environments
- The hidden cost: governance complexity as teams multiply

How is your organization designed to operate?

	Centralized	Federated	Platform-based	Outcome-led
What it is	Capabilities and decisions held at the enterprise center. Scale and consistency are the payoff.	Business units own their capabilities and P&Ls. Autonomy and customer proximity valued.	Shared tech, data, and ops delivered centrally. Teams draw on platforms to execute.	Teams organized around products or journeys, not functions, owning outcomes.
When it works	Regulated industries. Standard products. Where consistency beats speed.	Diverse markets. Different customer needs by segment. M&A-heavy growth.	At scale, needing efficiency without sacrificing local responsiveness.	Digital-native or high-velocity environments. Fast iteration.
Hidden cost	Frontline slows down. Local needs squeezed into central templates.	Expensive duplication. Every BU rebuilds the same capability independently.	Platform quality becomes the ceiling. Adoption suffers if teams feel forced.	Hard to scale. Governance gets messy as teams multiply.
The real question	Are we central because it creates value, or because nobody ever redesigned it?	Do we know what we're duplicating, and are we comfortable with that cost?	Are our platforms genuine shared assets, or just central mandates rebranded?	Can we govern this at scale without adding layers of overhead?

The question most leadership teams avoid during a cost program is: what balance between enterprise efficiency and local empowerment actually serves our strategy? That is a leadership conversation, and in ADAPTOVATE's experience, the quality of that conversation is the single biggest predictor of whether cost improvements last.

Avoiding it is expensive. Organizations that spend two years on cost initiatives only to find themselves structurally weaker – because the underlying model was never examined – are more common than leaders tend to admit.

Where AI changes the equation

McKinsey's research estimates that generative AI could accelerate the automation of work activities to cover close to 30 percent of hours worked in the US economy by 2030, up from 21.5 percent without it, and that half of today's work activities globally could be automated by 2045, roughly a decade earlier than previously projected¹. The productivity implications are significant enough that organizations face a genuine redesign moment, not just in specific functions but in how work flows across the enterprise.

AI-enabled automation can remove cost structurally by changing what work requires human judgement, rather than simply suppressing headcount

temporarily. The organizations that realize the deeper value are the ones asking what AI makes possible operationally and then redesigning around the answer – adjusting decision rights, rebalancing what sits centrally versus locally, and rethinking how capabilities are organized and resourced.

The operating model question and the AI question are, at this point, the same question.

What leaders need to do differently

Four things separate organizations that achieve structural efficiency from those that cycle through cost programs.

Clarify who decides what

Decision rights ambiguity is one of the most reliable generators of cost. When it is unclear who can approve what, organizations build shadow governance, duplicate effort, and slow down. Getting this right is a competitive advantage, not just an efficiency gain.

Define the real role of the center

The enterprise center is often either too thin to provide genuine alignment, or too substantial to avoid becoming a bottleneck. The right design makes it the orchestrator of strategy execution – setting direction, allocating resources dynamically, and managing shared capabilities – without adding bureaucratic friction.

Be ruthless about the portfolio

Most organizations have more strategic initiatives underway than they can resource meaningfully. The discipline to stop, deprioritize, and concentrate is harder than it sounds, especially when everything has a sponsor. Organizations that master it execute faster, develop their people better, and achieve more with less.

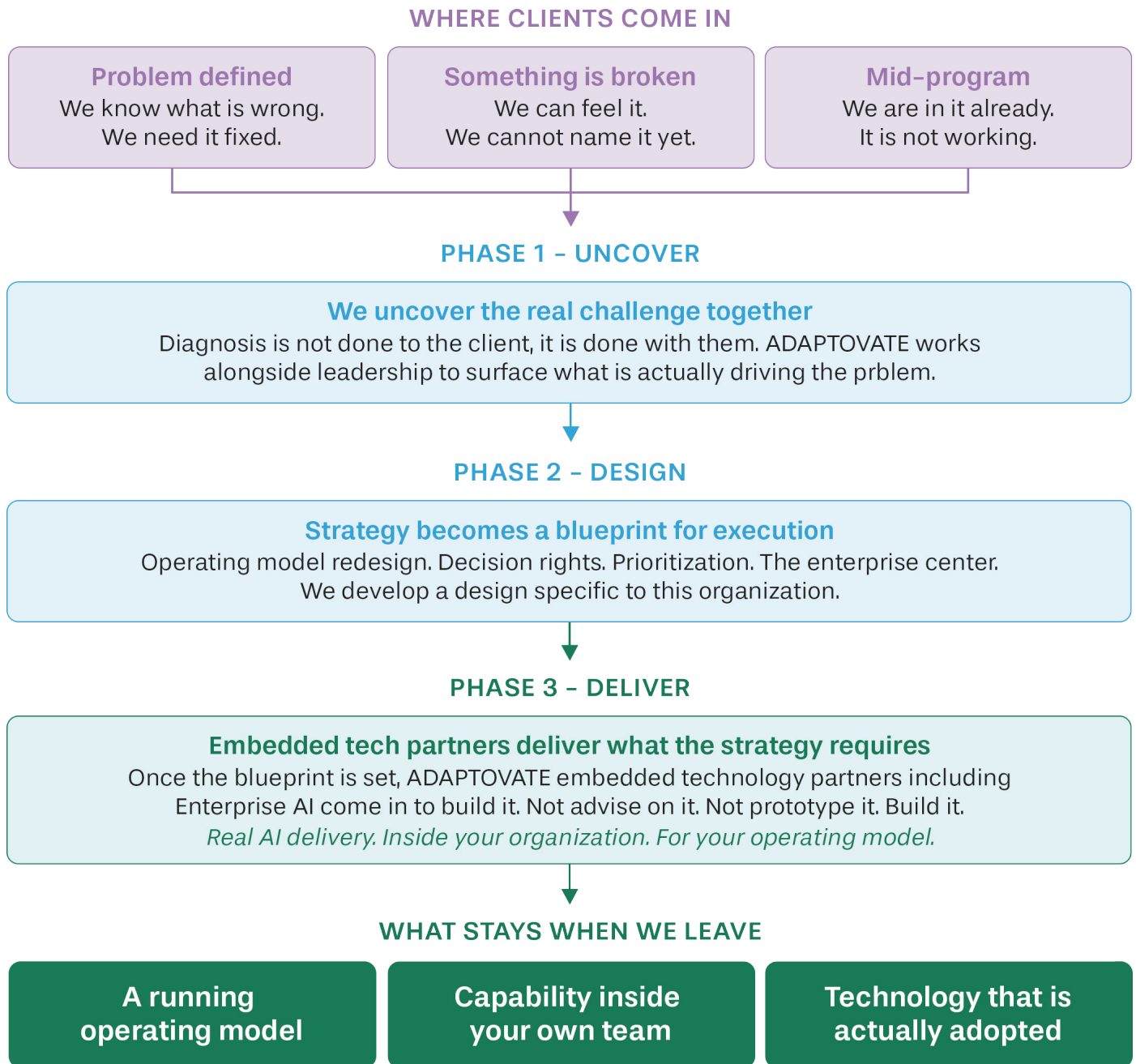
Protect what actually matters

Uniform cost cuts are the enemy of transformation. The work that will change the organization's competitive position in the next three years needs to be identified, protected, and in many cases accelerated – even during a period of cost reduction.

From urgency to advantage

Most cost programs begin with genuine urgency, and that urgency is legitimate. The organizations that come out of this period stronger are the ones that use the pressure as permission – permission to have the conversations that were too hard to have when things were going well. Conversations about how decisions actually get made. About which capabilities genuinely matter. About what the enterprise center is for. About what the organization should stop doing.

From challenge to execution



Those conversations lead to structural change. Structural change leads to efficiency that holds. And efficiency that holds is what makes it possible to grow again.

***The question worth asking is how the organization should operate.
Answer that well, and cost takes care of itself.***

About ADAPTOVATE

ADAPTOVATE partners with organizations to turn strategy into measurable impact. Acting as an extension of your team, we combine local collaboration with global expertise to simplify complexity, accelerate transformation, and build the strategy, technology and people capabilities that help businesses adapt faster, putting people at the center of AI-enabled transformation.

Ready to move from cost program to structural change? Talk to ADAPTOVATE about redesigning how your organization operates.

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