Everest Group®

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Enterprise Guide for Product-aligned Operating Model Transformation

Contents

Introduction

In today's dynamic business environment, enterprises are rapidly adopting product-aligned operating models to remain competitive and relevant. This approach focuses on aligning teams, workflows, and technologies with value streams to enhance innovation, agility, and responsiveness to customer needs. Unlike traditional project-based models, a product-aligned operating model enables continuous delivery and adaptability by emphasizing cross-functional collaboration and end-to-end product ownership.

To guide enterprises through this transformation, the 4R framework –Reinvent organizational design, Redefine processes, Reshape talent, and Reimagine core technology – provides a structured methodology to address the key dimensions of change. Each pillar is essential in creating an enterprise that is not only agile but also scalable, resilient, and aligned with customer-centric goals.

This Viewpoint explores the adoption of product-aligned operating models and focuses on the four pillars. It provides actionable insights for enterprises navigating the challenges of digital transformation. Each pillar focuses on a key dimension of change, equipping organizations to drive agility, collaboration, and innovation.

The Viewpoint contains:

- An overview of essential pillars of the product-aligned operating model through the 4R framework
- A detailed enterprise case study highlighting the important aspects of its transformation process

The product-aligned operating model paradigm

The product-aligned operating model enables enterprises to build a value-driven IT organization by aligning IT and business teams along the value streams. The underlying platforms support the teams in consistently delivering value to their customers while ensuring long-term business sustainability. While the construct appears straightforward, adopting this operating model is complex, and enterprises must consider numerous factors to transition successfully.

This journey keeps evolving, as no single North Star universally applies; each organization must tailor the model to align with its unique context, priorities, and market dynamics. As enterprises progress, they must continuously refine and adapt their models to meet shifting business demands, emerging technologies, and competitive pressures.

Everest Group surveyed 200+ enterprises with more than US$1 billion in revenue, indicating that reshaping talent and reimagining core technology has been seen as one of the most important dimensions in their transformation journey.

Exhibit 1 demonstrates some key insights and challenges enterprises adopting product-aligned operating models face.

Exhibit 1: Key challenges while adopting a product-aligned operating model

Source: Everest Group (2025), based on Everest Group's survey of 200 global enterprises with revenue more than US$1 billion

36%

of enterprises have stated that they have adopted a product-aligned operating model.

Among these, nearly

59%

indicated that the lack of necessary cross-functional skills within teams to fully own and operate products is the most significant challenge.

At the same time,

61%

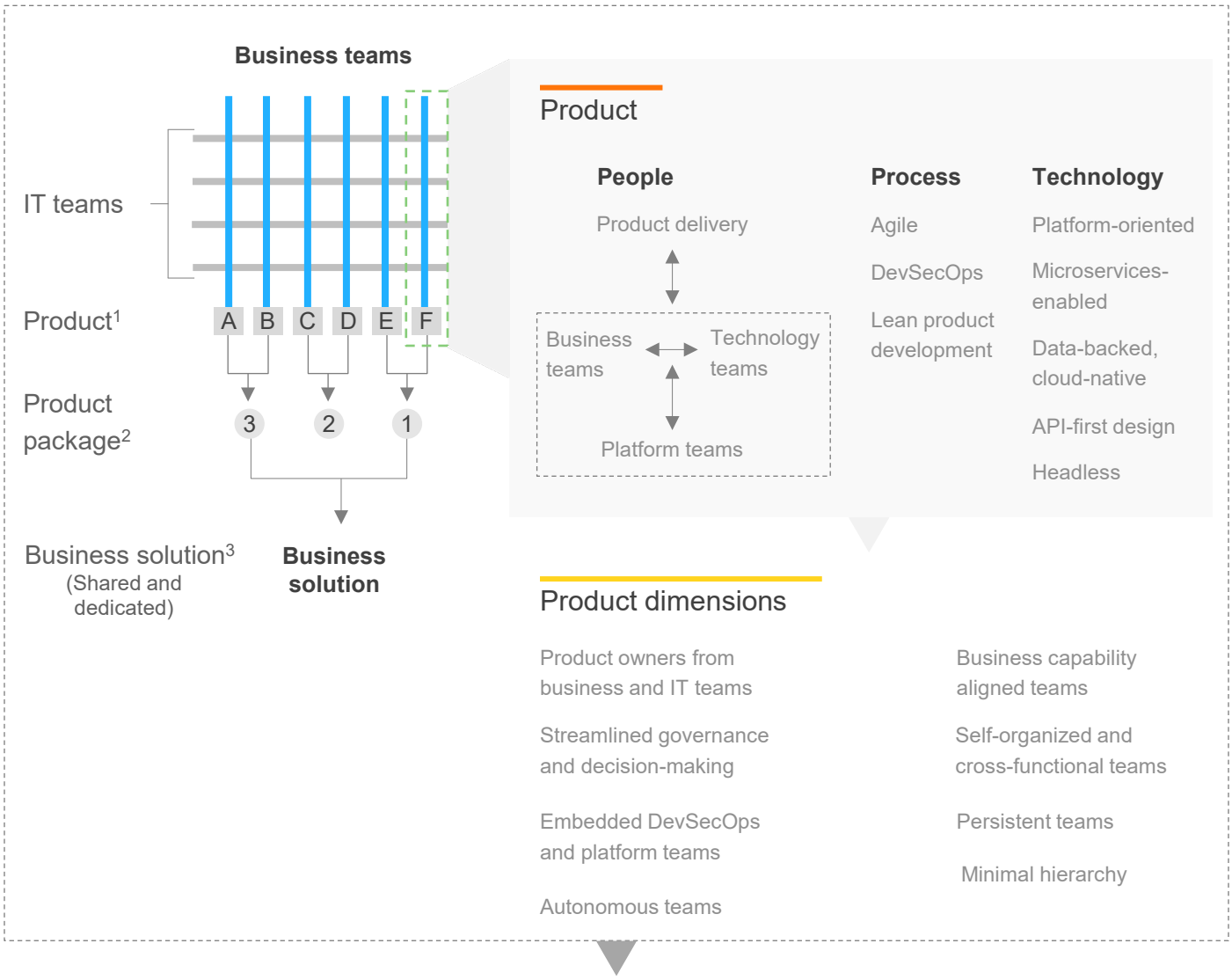
indicated that the struggle to define and measure success in a product- and platform-centric model versus traditional IT metrics is also one of the most significant challenges.

Exhibit 2 illustrates a matured product-aligned operating model. However, it should be noted that the operating model transformation varies with each organization's unique business needs, maturity level, and strategic objectives.

Exhibit 2: Organizational model of a product-aligned enterprise

Source: Everest Group (2025)

[NOT EXHAUSTIVE]



Outcomes

Customer-centric value delivery

Improved speed and responsiveness

Increased innovation and flexibility

Scalability and resilience

Operational efficiency and cost optimization

The next section will explore the key dimensions of transforming the enterprise operating model using the 4R framework.

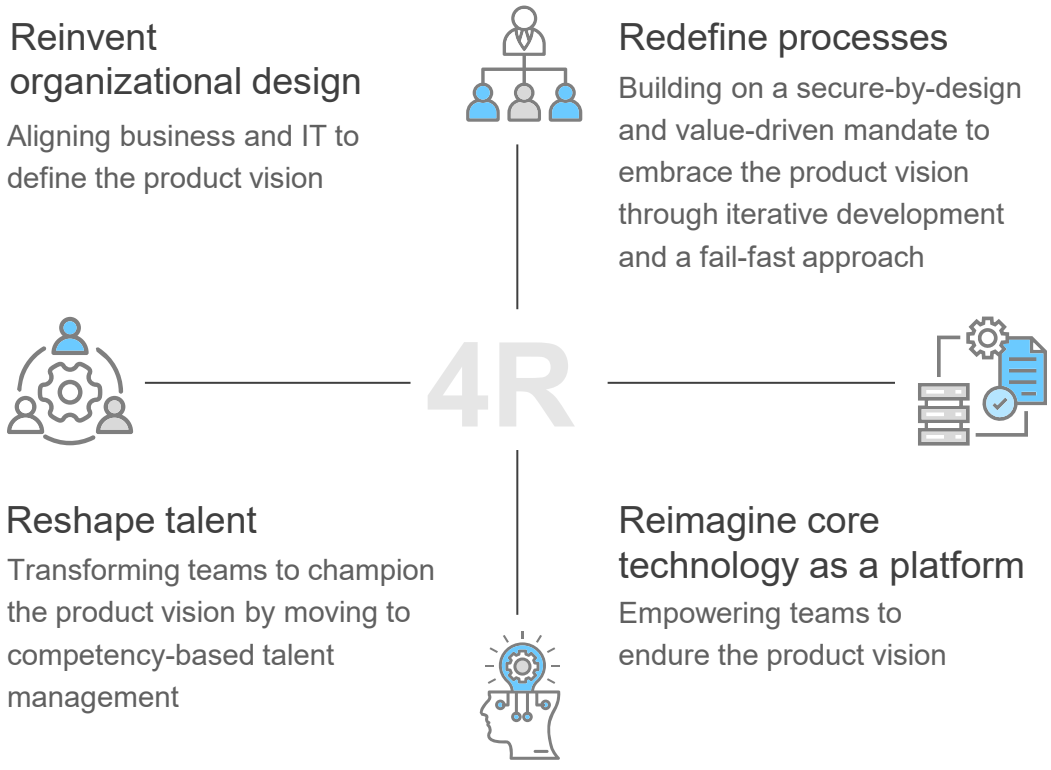
1 Product: a solution or set of features developed to meet specific customer needs, encompassing everything from design to deployment, aimed at providing continuous value to users.
2 Product package: a bundle of related products to meet broader customer needs.
3 Business solution: a group of products and/or product packages aligned with strategic business goals, designed to generate revenue, improve market positioning, or drive key outcomes for the enterprise

The 4R framework to successfully transition to a product-aligned operating model

The 4R framework, a strategic model for organizational transformation, focuses on four key pillars to align teams, processes, and technologies and drive a unified product vision. Exhibit 3 presents this framework, which serves as a blueprint to establish the foundation of a product-aligned operating model and assists enterprises throughout their transformation journey.

Exhibit 3: The 4R framework

Source: Everest Group (2024)



Now, let us dive deeper into **the first pillar** in this report, reinventing organizational design.

Reinventing organizational design in product-aligned transformation involves restructuring the enterprise to align with product-centric principles, fostering agility, innovation, and customer-centricity. This redesign touches every aspect of the organization, from team structures to organizational design.

Considerations for enterprises include:

- Establishing empowered and persistent product-centric teams while converging business and IT teams to define a product-centric vision
- Implementing self-organized teams with clearly defined roles, such as squads, tribes, chapters, and guilds from the Spotify model; scrum teams from the Scrum@Scale to effectively cross-collaborate
- Setting up product teams aligned to business capability - Organize teams around core business capabilities (e.g., finance, supply chain) to ensure end-to-end ownership and alignment with business outcomes
- Fostering a generative culture that empowers teams to embrace change and stay aligned with the product vision
- Institutionalizing an alignment-enabled autonomy construct to define the common goal based on the overall product vision

Next, we will discuss **the second pillar**, redefining processes.

Redefining processes in product-aligned transformation involves restructuring enterprise operational workflows to align with a secure-by-design approach and a value-driven mandate. Considerations for enterprises include:

- Embedding frameworks such as SAFe and DevSecOps to drive iterative innovation aligned with value creation and promote secure-by-design practices
- Adopting a value-creating federated governance structure for distributed decision-making and full product ownership (funding, strategy, and execution)
- Implementing value stream management to enhance cross-functional collaboration, leading to faster and more value-driven releases
- Using Objectives and Key Results (OKRs), flow metrics, and DORA metrics to evaluate overall performance and the business impact
- Establishing robust processes to gather, analyze, and act on customer feedback throughout the product life cycle
- Discovering and optimizing/automating/eliminating hand-offs in processes to enhance process efficiency
- Continuously measuring and optimizing dependency affinity between product teams to improve enterprise process agility

The third pillar, reshaping talent, requires a shift in how organizations attract, develop, and retain talent, fostering an adaptable and customer-centric workforce aligned with the product vision. Considerations for enterprises include:

- Prioritizing T-shaped, pi-shaped, and comb-shaped training models to efficiently drive product outcomes
- Transitioning from an experience-based to a competency-based model
- Building next-generation roles such as AI/ML engineers and cloud-native developers to bridge skill gaps and support the product vision

- Introducing roles vital for product-aligned growth, such as product managers, user experience designers, and data analysts. Exhibit 4 indicates that operating model transformation is a key investment area for enterprises to enhance integration and alignment between IT and business teams
- Emphasizing platform engineering skills with expertise in building and maintaining scalable and reusable infrastructure and tooling for development teams
- Reimagining the traditional pyramid models with talent that can effectively adapt to agile culture and work in a hybrid model
- Aligning talent to remote-first ways of working, enabling teams to be self-driven and adaptable to decentralized collaboration models

Exhibit 4: Key investment areas for skill development

Source: Everest Group (2024), based on Everest Group's survey of 200 global enterprises with revenue more than US$1 billion

31% of enterprises with low to moderate levels of agile adoption indicated that operating model transformation is a key area for skill development

vs

55% of enterprises with deeply embedded agile practices indicated that operating model transformation is a key area for skill development

The final pillar, reimagining core technology as a platform, involves transforming the organization's technology infrastructure from disparate systems into a cohesive, flexible, and scalable platform supporting product-aligned growth. Considerations for enterprises include:

- Automating repetitive tasks and adopting AI-driven decision-making to improve efficiency, streamline workflows, and allow teams to focus on high-value activities that align with the product vision
- Adopting a platform-based approach with foundational, operational, engineering, and business capabilities built into platforms for seamless scalability, faster time-to-market, and enhanced operational agility
- Reimagining platforms-as-a-marketplace to enable seamless collaboration and on-demand access to capabilities and services

- Leveraging data-driven insights and advanced analytics for real-time decision-making, ensuring team alignment to continuously improve products
- Transitioning from monolithic systems to a modular, microservices-based architecture
- Embracing cloud-native technologies and practices to enhance scalability, reliability, and cost efficiency
- Implementing comprehensive DevOps practices and automation to streamline development, testing, and deployment

Exhibit 5 depicts that enterprises adopting a product-aligned operating model have achieved higher levels of intelligent automation across IT, with significant AI and generative AI integration.

Exhibit 5: Levels of AI, including generative AI, and automation penetration

Source: Everest Group (2024), based on Everest Group's survey of 200 global enterprises with revenue more than US$1 billion

16% of enterprises with low to moderate levels of agile adoption indicated that operating model transformation is a key area for skill development

vs

30% of enterprises with deeply embedded agile practices indicated that they are leveraging pervasive intelligent automation across IT, with a high level of AI and generative AI integration

Enterprises that effectively configure these strategic drivers to align with their unique context will be well-positioned to successfully leverage and scale their product-centric operating models. Exhibit 6 illustrates the outcomes and recommendations across key metrics for global enterprises we surveyed that adopted a product-aligned operating model.

Exhibit 6: Outcomes of adopting a product-aligned operating model

Source: Everest Group (2024)

>53%

increase in employee satisfaction

Foster a collaborative platform-driven environment to boost employee engagement

>50%

Increase in CSAT scores

Leverage platform-centric operating model to deliver personalized, responsive customer solutions

>26%

increase in revenue/profitability

Align platforms with business goals to unlock new revenue streams

>11 months

reduction in time-to-market

Streamline product and platform teams to accelerate product delivery

>25%

reduction in operational costs

Automate workflows and use scalable platforms to cut costs

However, enterprises face multiple roadblocks in achieving these outcomes. Exhibit 7 depicts key business and technical challenges enterprises face.

Exhibit 7: Challenges in transitioning to a product-aligned operating model

Source: Everest Group (2024)

Business challenges

- Lack of support at the leadership level
- Difficulty in restructuring teams and redefining roles to align with a product- and platform-led approach
- Lack of necessary cross-functional skills within teams to fully own and operate products

Technology challenges

- Legacy systems or technical debt hindering the transition to product- and platform-centric operations
- Difficulty in maintaining regulatory compliance and governance in a more decentralized model

Note: These responses are based on our pilot survey results and will change once we gather more responses.

To address these challenges, providers are vital in guiding enterprises through their transformation journey. The next section will cover their role in helping enterprises transition to a product-aligned operating model.

Role of providers in transitioning to a product-aligned operating model

Providers take on a more strategic role in helping enterprises transition. Given that the transition requires careful calibration of multiple drivers, providers act as advisory-led transformation drivers, guiding enterprises across all the dimensions, as described below.

Providers help enterprises adopt a data-driven approach to identify capability gaps and design the right-fit **organizational model:**

- **Data-backed organizational assessment:** Conduct detailed assessments using data and analytics to identify the gaps in the current operating model
- **Capability mapping and alignment:** Help enterprises map their existing capabilities against future needs, ensuring alignment between business goals and the required organizational competencies
- **Right-fit model design:** Design tailored organizational models that foster agility, innovation, and resilience, ensuring the enterprise is structured to support continuous product delivery
- **Dependency affinity measurement:** Continuously measure dependency affinity and assist capability-aligned product teams in becoming increasingly autonomous, reducing bottlenecks and improving overall process efficiency

Providers assist enterprises in **refining and enhancing their processes** for greater efficiency and alignment with a product-aligned model.

- **Maturity assessment and process improvement:** Conduct process maturity assessments and help enterprises streamline and refine their processes. Introduce best practices to optimize workflows and ensure processes are aligned with product vision
- **Industry-specific OKRs and metrics:** Assist enterprises in defining tailored OKRs, flow metrics, and performance indicators. This reduces the number of iterations by creating clear, measurable goals that align with creating value
- **Agile and scaled-agile adoption:** Help enterprises adopt Agile methodologies and scaled-agile frameworks, fostering iterative development and improved collaboration across teams to enhance responsiveness and adaptability

Let us examine how providers are crucial in **identifying and developing talent strategies** to close gaps and build a future-ready workforce.

- **Identifying talent gaps:** Assess current talent against future needs and identify skill gaps that could hinder the transition to a product-aligned model. This ensures that the right talent is in place to support the new operating model
- **Developing tailored talent strategies:** Design comprehensive talent development strategies, including upskilling and reskilling initiatives, to close competency gaps and ensure teams are equipped to work in a product-driven environment
- **Building cross-functional capabilities:** Create a workforce with cross-functional capabilities, enabling them to work effectively in agile, product-centric teams. This involves both technical and business skills training necessary for success
- **Building assessment platforms and approaches:** Help build robust assessment platforms and strategies to attract, hire, and retain the best talent, ensuring organizations can meet current and future skill requirements
- **Democratic and gamified upskilling platforms:** Provide a democratic and gamified platform for the workforce community to upskill and cross-skill themselves, fostering continuous learning and engagement

Now, let us dive into how providers also guide enterprises in consolidating and **modernizing their technology to create a platform** that supports scalability and innovation.

- **Platform engineering and scalability:** Build and engineer new platforms for scalability, flexibility, and agility. These platforms allow teams to access resources, data, and tools in real time, enhancing operational effectiveness
- **Emerging technologies integration:** Adopt emerging technologies such as AI, ML, and cloud-native solutions into enterprises’ platforms to drive automation, improve decision-making, and help them gain a competitive edge in product development
- **Platforms-as-a-marketplace setup:** Assist in establishing platforms as marketplaces that enable seamless collaboration, resource sharing, and service monetization, creating a unified and scalable ecosystem
- **Partner IPs and accelerators:** Bring in partner IPs and accelerators to expedite transformation, enabling rapid deployment and enhanced platform capabilities

Hence, providers guide enterprises' journey to a product-aligned model by offering expertise in process optimization. Their strategic partnership ensures that enterprises are equipped to drive innovation, agility, and sustained growth.

We will now examine a detailed case study of an enterprise that has transformed its operating model by reconfiguring the four key dimensions to achieve such alignment.

Case study: transforming dsm-firmenich's operations

Company background

dsm-firmenich was created through the merger of DSM, a Dutch health, nutrition, and beauty company and Firmenich, a Swiss company specializing in fragrances and flavors. The combined entity, dsm-firmenich, is an innovator in nutrition, health, and beauty, with a strong emphasis on science, biotechnology, and sustainability.

Over the years, dsm-firmenich focused on biotechnology and sustainability while transitioning into a digital-first enterprise. However, its traditional structure, marked by long project cycles, rigid organizational boundaries, and fragmented IT frameworks, hindered its ability to respond quickly to market dynamics.

Recognizing the need for an integrated approach that would foster agility, unify digital strategies, and drive alignment across business functions, dsm-firmenich launched a major digital transformation toward a product- and platform-led operating model. This shift, aimed at establishing a strong foundation for future success, reimagined its operating model to be more agile, product-aligned, and responsive to market changes.

Transformation overview

dsm-firmenich embarked on this transformation to address inefficiencies in its waterfall-based project management, which had slowed response times and limited adaptability. Recognizing these challenges, the company set out to better understand what it means to build real digital products. As a result, it created and evolved product squads to enable continuous delivery and faster market response. It also ensured that projects transitioned into enduring products, allowing for continuous improvement. This new model established agile, value-driven structures to unify IT and business under collaborative platforms, enabling the firm to integrate operations across the merged entities and introduce a coherent, adaptive approach to meeting strategic objectives.

Key challenges during this journey included harmonizing two distinct organizational cultures after the merger, overcoming resistance to change, and developing a common framework for operation. Through extensive stakeholder engagement, including workshops and alignment sessions led by dsm-firmenich's digital and business leaders, the organization successfully navigated these challenges.

The success of this initiative hinged on a coalition of key stakeholders. dsm-firmenich's senior digital and senior business leaders were central to aligning resources and championing the transition. Providers such as HCLTech supported the initiative as transformation partners, providing expertise in agile, DevSecOps, and cloud-native solutions to support dsm-firmenich's journey to a sustainable, product-aligned future.

Business objectives

The primary objective for dsm-firmenich's transformation was to create a more agile and responsive digital function that closely aligned with business outcomes and value. The company aimed to reduce the lengthy timelines associated with traditional, waterfall-based project delivery by fostering cross-functional collaboration and a product-oriented focus. Key goals included:

- **Accelerating time-to-market:** Breaking down complex projects into manageable, outcome-oriented product teams that could deliver faster
- **Aligning IT with business functions:** Aligning IT with business priorities and translating those priorities to the backlog of the product squads to drive targeted innovation
- **Enhancing customer experience:** Improving visibility and accessibility across dsm-firmenich's supply chain through digital initiatives, such as track-and-trace capabilities
- **Building a scalable technology platform:** Consolidating legacy technology to reduce complexity and operational costs, creating a more adaptable infrastructure for long-term growth

dsm-firmenich's leadership recognized that this shift required new tools, processes, structures, and talent to create a more connected, digital-driven enterprise supported by a unified technology platform. The framework is discussed in detail below.

> "We started the program to break down these big waterfall projects into smaller products... The time lag between talking about requirements and implementing complex digital solutions was too long for our dynamic business environment."
>
> – Senior Director, Digital Supply Chain and Manufacturing, dsm-firmenich

Reinvent organizational design

Challenges faced

dsm-firmenich's previous structure was marked by silos, with independent business and IT teams that often struggled to align on priorities. This setup led to communication bottlenecks and delayed decision-making. The merger exacerbated these issues, as one side followed a traditional project-based model while the other implemented limited agile practices. These two different models presented challenges in developing a unified approach, especially as business units had varying objectives, such as cost reduction in some areas and growth in others.

The solution

dsm-firmenich adopted a platforms and products model, which consisted of:

- Differentiated platforms: Manufacturing, product, supply chain, customer, science and research
- Leveraged platforms: Transaction core, supply chain, employee, procurement, finance, enterprise services
- Data platforms
- Technology foundation platforms

This structure was inspired by the Spotify model, establishing cross-functional product squads and chapters that could tackle challenges within specific business domains. For instance, the supply chain platform was divided into squads dedicated to warehousing, distribution, and insights, each responsible for a key part of the supply chain. dsm-firmenich made centralized decisions on shared solutions to avoid redundant technologies across business units, such as a unified supply chain planning tool. While this approach required more upfront alignment and slowed IT delivery, it reduced costs and created long-term efficiencies.

Key roles were introduced to ensure cross-functional integration, including:

- Business product owners: From the business side, providing domain expertise and aligning product goals with business needs, setting priorities, and ensuring the organization is ready to adopt the product
- IT product managers: From the digital team, managing delivery and fostering collaboration within product teams
- Platform leads, delivery leads, architects, and data leads: Ensuring technology coherence and data-driven decision-making across platforms

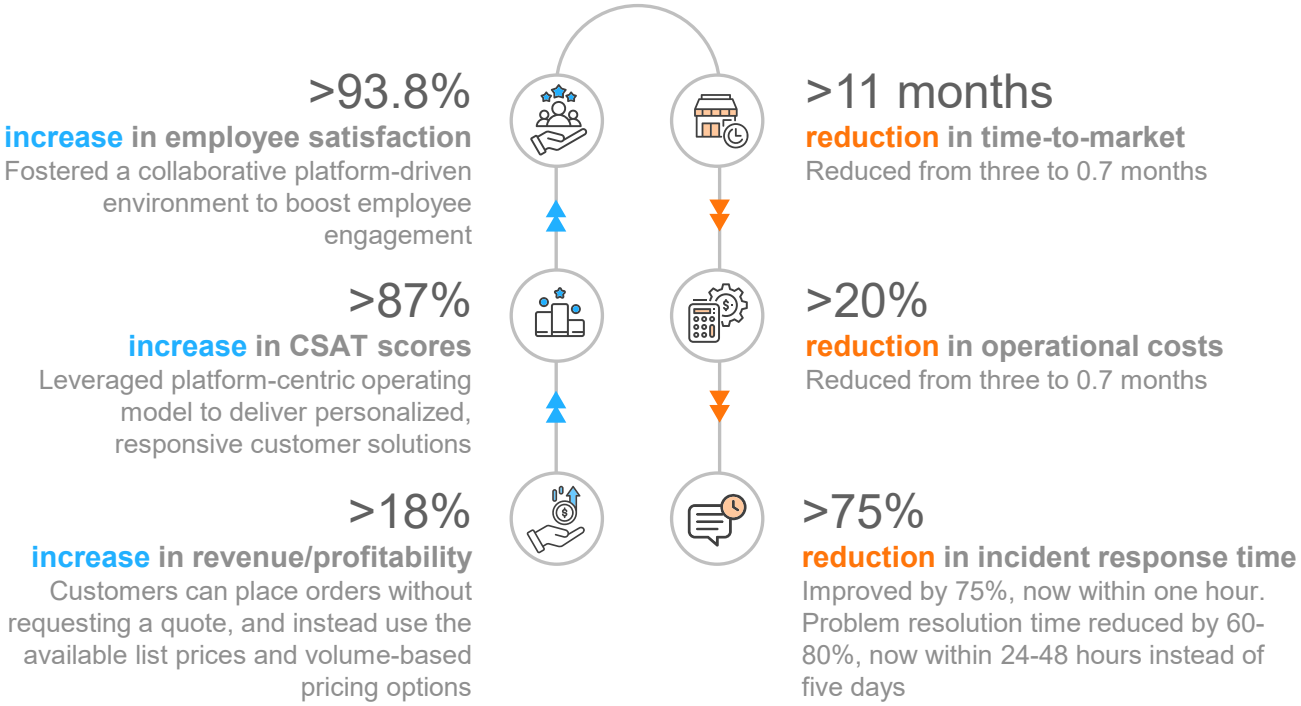
Outcomes achieved

Business value realization: Shifting focus to business metrics such as cost efficiency and time-to-hire helped ensure that IT efforts delivered measurable strategic value.

Improved customer alignment: Product teams structured around business capabilities allowed for better alignment with customer needs, enhancing responsiveness to market demands.

Exhibit 8: Outcomes achieved for one of the products across metrics

Source: Everest Group (2024)



Redefine processes

Challenges faced

dsm-firmenich's standard project-based model provided consistency for many types of work. Recognizing the pace of market changes, the company identified opportunities to introduce more flexible operating models to increase adaptability. Integrating new, more iterative workflows involved thoughtful consideration of how best to adapt processes within the organization's established consensus-driven culture.

The solution

dsm-firmenich adopted agile frameworks, shifting from waterfall-based project management to iterative product delivery. The firm maintained a dual-mode execution model: agile product teams handled shorter-term, value-focused initiatives, while large-scale, resource-intensive projects retained a refined project management structure.

Outcomes achieved

The process redesign led to enhanced alignment among dsm-firmenich's business units, enabling the company to prioritize market needs effectively. With security integrated into development workflows, the company experienced a reduction in compliance incidents, contributing to a more secure, resilient digital environment. Enhanced communication and transparency also helped foster buy-in from both business and IT teams, improving overall operational efficiency.

Reshape talent

Challenges faced

dsm-firmenich found talent gaps in its agile practices, cross-functional and domain skills, challenging its ability to execute the new model. Product management experience was limited, making it difficult for technical teams to fully align their work with business goals. Additionally, dsm-firmenich's IT staff required stronger business acumen to improve cross-functional collaboration and drive customer-centricity.

The solution

dsm-firmenich implemented a dual-track talent strategy combining specialized chapters for capability building and agile product teams for execution. Employees were grouped into chapters based on expertise and functional areas – such as manufacturing, supply chain, sales and marketing, finance, and procurement – where they could gain specialized training and advance their functional knowledge. Roughly 20% of each employee's time was dedicated to chapter-based development, while the remaining 80% was spent working in product teams that were aligned with specific business platforms. This model promoted cross-functional skill-building, allowing individuals to work effectively within agile teams and gain exposure to both business and technical requirements.

A structured development path was introduced, emphasizing T-shaped skills to foster cross-functional collaboration. dsm-firmenich promoted internal mobility, enabling employees to transition into roles within the business that better matched their skills and interests. For instance, senior IT leads who had gained business insights through their roles were encouraged to engage more directly with business functions, fostering a shared understanding.

Outcomes achieved

dsm-firmenich saw increased engagement among product-aligned teams, and IT staff gained a deeper understanding of the business context, which enhanced collaboration. The move toward cross-functional and domain roles also allowed the firm to deploy talent more flexibly across business units, improving adaptability and engagement across the board.

Reimagine core technology as a platform

Challenges faced

dsm-firmenich's legacy technology landscape was complex and fragmented due to past mergers and acquisitions, leading to high maintenance costs and inconsistent technology standards across business units. Legacy systems restricted the integration of emerging technologies and data-driven decision-making, creating operational inefficiencies. The merger further highlighted the need for standardization, as different technology approaches impeded integration efforts and complicated dsm-firmenich's transformation objectives.

The solution

The company restructured its technology infrastructure around a connected enterprise approach, consolidating its business units and adopting a cloud-first strategy. Three main technology platforms were established: the transactional core, technology foundation, and data, with other business-critical applications. This approach provided scalability while retaining necessary on-premises solutions for specific needs. To support remote collaboration, dsm-firmenich adopted tools such as Miro, Mural, and Microsoft Teams, enabling cross-functional teams to communicate effectively across geographies. Decision-making within technology architecture was centralized, with platform architects responsible to ensure alignment across platforms, reducing complexity, and enabling a scalable solution.

Outcomes achieved

Standardizing technology platforms reduced dsm-firmenich's operating costs and decreased technical debt, creating a more adaptable infrastructure. The unified platform improved security, with fewer incidents reported due to standardized security protocols. The firm also reported reduced redundancy, especially in the supply chain, where previously fragmented tools were consolidated.

"We are not moving the entire company to a product model; some initiatives still operate as projects when they have a clear start and end date. It is about using the right method for the situation while leveraging the governance of our platforms".

– Senior Director, Digital Supply Chain and Manufacturing, dsm-firmenich

Case study: Ericsson's journey to a product-aligned operating model

Company background

Ericsson, a global telecommunications leader, has long led innovation in mobile networks and digital communications. As the company expanded its reach and service offerings, its internal IT function began to play an essential role in supporting business growth. However, despite technology advances, Ericsson's enterprise IT was historically viewed as a cost center, primarily focused on maintaining and operating legacy systems. Over time, the company recognized the need to align IT more closely with creating business value, especially as Ericsson aimed to streamline operations and deliver more agile, business-focused solutions.

Transformation overview

Ericsson's transformation to a product-aligned operating model was a multi-year journey strategically phased to build a foundation for long-term success. The initiative began with foundational shifts to agile and DevOps methodologies, which took place over the first two years, setting the stage for product-oriented restructuring. The product-aligned model went live within the subsequent year, with plans to continuously refine and scale.

To drive the transformation, Ericsson secured buy-in from executive leadership, including the CIO and head of IT transformation, who aligned the initiative with strategic goals. Senior architects and agile coaches guided teams on agile and DevOps, while product owners and business unit leaders bridged IT and business priorities. Additionally, internal change agents were positioned as key advocates, demonstrating early success in fostering organization-wide adoption. Together, these champions created a foundation for sustainable change, ensuring that the organization embraces and embeds Ericsson's product-aligned model.

Business objectives

Ericsson's primary objective was to transform its enterprise IT function from a cost center into a value-generating strategic partner that could drive business innovation and operational efficiency. By aligning IT more closely with business goals, Ericsson aimed to shift focus from managing isolated technologies to delivering measurable business outcomes. The goal was to simplify the organizational structure, align product teams with business capabilities, and reduce conflicting requirements and timelines. In essence, Ericsson wanted to shift from siloed project thinking to a product-aligned operating model, which would align IT more closely with business flows.

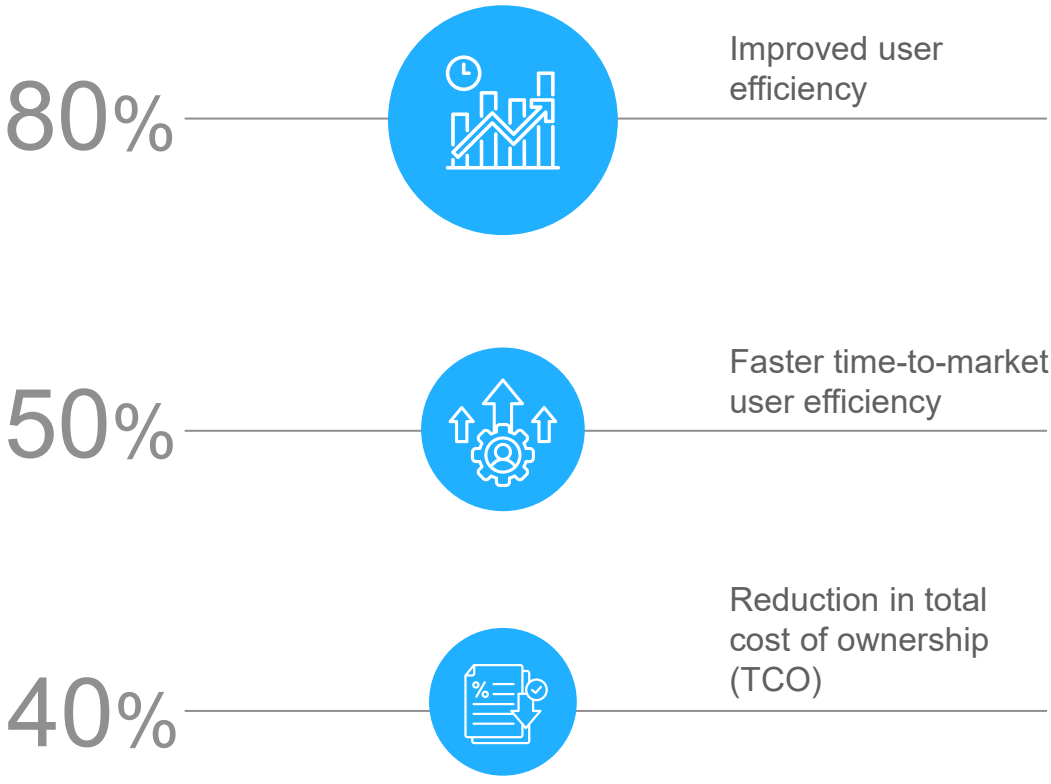
“By shifting to a product-aligned model, we are streamlining our landscape, eliminating redundancies, and gaining control over the expansion of applications and services. This alignment reduces conflicting requirements, cuts costs, and ultimately positions IT as a proactive partner delivering measurable value – not just a cost center.”

– Head of Transformation and Operations, Group IT at Ericsson

Exhibit 9 depicts key objectives that Ericsson aimed to achieve through its transition

Exhibit 9: Objectives targeted in transitioning to a product-aligned operating model

Source: Everest Group (2024)



Let us explore the 4Rs of the product-aligned operating model through Ericsson's transformation:

Reinvent organizational design

Challenges faced

- Siloed technology towers: The company's IT structure was divided into multiple technical towers (cloud, enterprise apps, data analytics, AI), which created organizational silos. These silos hindered collaboration across teams, reduced responsiveness to business needs, and increased inefficiencies in delivering technology solutions
- Disconnected IT and business functions: The gap between business units and IT meant that the latter was often reactive, focusing on cost-cutting rather than delivering value-added solutions

The solution

Ericsson's organizational redesign shifted its technology-driven structure to a product-centric model. Instead of managing IT through siloed technical towers, Ericsson aligned its product teams with core business capabilities, such as finance, people, and talent management. This allowed for close integration of IT and business outcomes. Additionally, introducing product owners tasked with driving business results rather than focusing solely on technical metrics further strengthened this alignment. The concept of technical competency pools, known as chapters, was introduced to dynamically allocate expertise across product teams. This design fostered flexibility and ensured that the right technical skills were available to support business priorities without rigid team structures restricting them.

Outcomes achieved

Business value realization: Shifting focus to business metrics such as cost efficiency and time-to-hire helped ensure that IT efforts delivered measurable strategic value.

Improved customer alignment: Product teams structured around business capabilities allowed for better alignment with customer needs, enhancing responsiveness to market demands.

Redefine processes

Challenges faced

- Traditional project-based approach: Ericsson's reliance on conventional project management limited agility, as processes focused on linear, long-term timelines that did not align with fast-changing market demands. This approach delayed decision-making and prevented teams from adopting a more iterative, product-focused delivery model
- Security as an afterthought: Security processes were often integrated post-development, leading to rework and compliance challenges

The solution

Ericsson adopted agile and DevOps methodologies to replace its traditional project-based management system with a continuous, product-centric delivery approach. This shift enabled iterative product development, which increased responsiveness to business needs and market changes. The company established cross-functional teams to drive collaboration and accountability, accelerating the delivery of new solutions. Additionally, Ericsson introduced OKRs to measure success by focusing on business outcomes such as CSAT and financial processing efficiency.

Outcomes achieved

Lead time reduction: The lead time-to-market improved across pilot areas, with development cycles becoming more streamlined due to cross-functional collaboration and automation.

Cost efficiencies: Integrated DevOps and standardized processes reduced redundancies, generating cost savings and operational efficiencies.

"The biggest challenge was transforming our people's mindset –from thinking in technology silos to adopting a business-first approach. Shifting from a legacy of application ownership to true product ownership meant reorienting teams to prioritize business impact over technical tasks, which required a fundamental change in how they view their roles and responsibilities."

– Head of Transformation and Operations, Group IT at Ericsson

Reshape talent

Challenges faced

Lack of cross-functional team dynamics: The existing structure did not support effective cross-functional collaboration. The roles were highly specialized and isolated within technical domains, making it challenging for teams to cohesively work on end-to-end business solutions.

The solution

Ericsson's transformation required not only structural and process changes but also a shift in managing and deploying talent. To aid this shift, the company focused on realigning its talent model toward business-oriented product development. The company extensively trained employees to transition from a mindset centered on application management to one focused on driving business outcomes. Moreover, establishing cross-functional teams united diverse expertise, encouraging collaboration toward shared business goals. Additionally, the concept of chapters – competency pools of experts that could be dynamically assigned to different product teams based on business demand – enabled greater flexibility and adaptability, ensuring Ericsson deployed its talent where it could drive the most value.

Outcomes achieved

Increased team engagement: Empowering teams to own outcomes fostered higher job satisfaction and workforce engagement.

Flexible skill allocation: The chapter model enabled dynamic skill-sharing across teams, improving adaptability and resource use.

"With our new product-based structure, we anticipate savings...we are eliminating previously existing overhead roles to facilitate cross-team coordination, now streamlined by the product teams."

– Head of Transformation and Operations, Group IT at Ericsson

Reimagine core technology as a platform

Challenges faced

- Complexity in technology management: With a vast portfolio of systems, managing infrastructure and application layers became increasingly challenging, resulting in higher costs and longer lead times
- Inconsistent technology standards: With multiple, overlapping tools and applications, Ericsson's technology landscape lacked consistency. This fragmented environment increased maintenance costs and created challenges in ensuring compatibility across various systems and platforms

The solution

To support its new product-based approach, Ericsson focused on reimagining its core technology infrastructure. One of the significant initiatives was adopting infrastructure as code, which decoupled infrastructure management from feature development. By enabling feature teams to access infrastructure through APIs, Ericsson increased product development's pace and flexibility. Additionally, the company centralized its low-code platform, which allowed business teams to develop solutions more quickly while maintaining consistency and standardization. This technology stack modernization, combined with a focus on adopting cloud-native technologies, helped Ericsson reduce costs, improve scalability, and create a more efficient development environment. The company also standardized its technology stack to reduce redundancies and simplify processes. It ensured smoother handovers between teams, enhancing consistency and interoperability across various product lines and improving operational efficiency.

Ericsson aims to evolve these platforms into internal marketplaces, streamlining access to services and creating a system that can scale with future business needs. The company expects this approach to reduce duplicate efforts and foster a more cohesive technology environment.

Outcomes Achieved

Standardization and interoperability: Rationalizing technology tools improved consistency, reduced maintenance costs, and enhanced system compatibility.

Scalability and flexibility: API-driven infrastructure and cloud-native solutions streamlined development, enabling greater scalability for future growth.

"We are moving from our IT being seen as a cost center to becoming a true business partner – aligning product teams with business needs. This shift emphasizes business-first thinking, simplifies collaboration, and empowers product owners to deliver impactful, accountable outcomes."

– Head of Transformation and Operations, Group IT at Ericsson

Everest Group take

Everest Group views both dsm-firmenich and Ericsson as leading examples of how product-aligned transformation can drive enterprise-wide agility, scalability, and innovation. dsm-firmenich's use of differentiated platforms and its phased, data-driven adoption of the Spotify model mark a best-practice approach, particularly in how it balances unified decision-making with local autonomy. Meanwhile, Ericsson's transformation shows strong early gains in lead time reduction and efficiency, aided by its strategic timing and selective application of the model across high-impact areas.

However, for both companies, cultural alignment remains a key long-term success determinant. dsm-firmenich must accelerate decision-making within its consensus-driven culture, while Ericsson needs to deepen executive buy-in and embed agile practices across global teams. Everest Group believes sustained success will hinge on continuously refining governance, scaling agile practices judiciously, and applying the model selectively, especially in environments where standardization may still dominate. Ultimately, a strong foundation has been laid, but the journey ahead requires continuous learning, iterative improvement, and a focus on aligning transformation efforts with business value.

Conclusion

Both dsm-firmenich and Ericsson demonstrate how large enterprises in complex, regulated industries can successfully navigate structural and cultural transformation through product-aligned models. dsm-firmenich focused on organizational restructuring, agile squads, and platform-based collaboration to improve business agility and customer-centricity. Ericsson, on the other hand, carefully timed its transformation to minimize disruptions, leveraged ecosystem partners such as HCLTech, and emphasized DevOps and cloud-native practices to enhance operational agility.

While dsm-firmenich's transformation enhanced business-IT alignment and cultural cohesion, Ericsson's efforts tackled inefficiencies and steered the organization toward a value-driven IT function. Both companies now face the challenge of sustaining momentum, embedding cultural change, and scaling their models across global operations. Success going forward will depend on deepening leadership engagement, investing in cross-functional skills, maximizing technology leverage (including generative AI in Ericsson's case), and balancing agility with operational discipline.

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