

SERVICE

Target Operating Model

Designing for success

A Target Operating Model (TOM) very often forms the bridge between a strategic direction set by leadership and a roadmap of change initiatives to build new business activities, services, behaviours and outcomes.

We help our clients solve some of their toughest strategic problems through our structured and robust approach to strategy development whilst also having the practical delivery experience to know how to successfully implement the associated changes to ways of working. The result is a well thought-through operating model, aligned to your strategy that you can be confident will be deliverable and successful in the 'real world'.

The Berkeley definition of a TOM

The phrase 'Target Operating Model' means many different things to different people. The truth is that there is no right or wrong answer – the context of any particular business will determine the components that, when assembled together, make a useful and valuable TOM.

For us, a Target Operating Model simply describes how a business will operate at a point in the future. Broadly speaking, we'd usually expect a TOM to cover the processes, controls, systems and organisation (roles and responsibilities) required to fulfil the strategic objectives. Its purpose is to describe the key operational changes required in sufficient detail that the impact and levels of investment can be assessed. The TOM is also a critical element in engaging and communicating with key stakeholders the shifts required to achieve the desired strategic outcomes.

It's all about alignment

Whatever the content of your TOM, the watchword is **alignment**.

The real value of designing an operating model is in ensuring that the business is aligned to its strategic ambitions and goals, and that all sub-components, are working together in harmony to make the business succeed. Without a conscious effort to develop a cross-functional operating model, it can sometimes be easy for functional silos to develop and grow in isolation, resulting in a lack of alignment with strategic goals across the organisation.

But we're already aligned. Aren't we?

Developing a winning TOM will often challenge existing boundaries, requiring a good level of open-mindedness and collaboration across the business. Cross-functional working can sometimes come with a little friction. The most prominent boundaries exist in large businesses with established operational silos or organisations that have grown

“Creating a target operating model represents a disciplined approach to really thinking through how you are going to drive strategic change across your business. It is essential that all aspects of your operation are aligned and work in concert. Developing a Target Operating Model is however challenging, as it involves a cross functional, cross business programme that has to be driven from the very top of the organisation.”

Neil McClumpha
Partner



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through acquisition, but not fully integrated their acquired businesses. To deliver a more efficient and appropriate operating model, it is often necessary to challenge current norms.

In such cases, it is critical that leaders and decision-makers are aligned on the strategic goals of the business, that time is invested in bringing stakeholders on a journey, and that the overall sponsor has the authority to set direction and mediate as necessary.

To do this effectively, you will need someone with no political agenda to ask the difficult questions and challenge the status quo. Our independence and collaborative style lend themselves to helping you involve and engage the right stakeholders, in the right way, to develop an operating model that has the support of your cross-functional leadership team.

[Click here to access our Operating Model diagnostic tool](#)

Easy to design, hard to deliver

Our extensive delivery experience can help you to avoid the common pitfalls that can result in a beautifully-crafted TOM being undeliverable or unadopted and reduced to expensive shelf-ware.

Involving representation from across the business, people with real operational knowledge and experience of your current business reality, rather than designing in isolation, will improve the quality and utility of your TOM.

Designing the operating model with implementation in mind will help to bring tangible benefit to the business sooner. For example, considering quick wins that can be implemented in the short-term and transition states that can be achieved gradually over the medium to long-term to bring phased change to the business.

Outputs should be measured

Once you've invested the time and effort to design and implement a new operating model, you will want to know how well it's performing, how well it is supporting your strategic objectives, and what business results it's helping you to attain.

Considering the key drivers of business success alongside your operating model design will allow you to build-in the information and measures which will you will use, via your decision-making and leadership arrangements, to steer the business towards its strategic and operational goals. Practically, this often takes the form of KPIs, management reporting dashboards and balanced scorecards aligned to your strategic objectives.

So what's next?

By now you have probably created a strategy which led to the development of your Target Operating Model. Now you need to make the change happen. We have helped our clients successfully mobilise and deliver their major transformation programmes, bringing positive and lasting change to their businesses.

Click to view our [Programme Mobilisation](#) and [Programme Delivery](#) services



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Our experience

Here are some examples of our client work:

- Go-Ahead were the largest provider of passenger transport in the UK. Having just acquired the largest Train Operating Company (TOC) in the UK (GTR), they wanted help to integrate and drive efficiencies out of their new acquisition. We worked with the group and TOC leadership teams to develop and implement a business operating model for the newly formed GTR franchise.
- Following the financial crisis of 2007-2008, the UK government decided to restructure the country's financial regulation and abolish the Financial Services Authority (FSA). Its responsibilities were to be split between a new regulator (the Prudential Regulation Authority (PRA)) at the Bank of England (BoE) and another new regulator: The Financial Conduct Authority (FCA). We developed and implemented the target operating models at both the FCA and the PRA, including absorption of Consumer Credit and RAD (Regulatory Action Division) as well as a redesign of the Authorisations Division
- Unilever had been on a strategic journey to reimagine how they connect with consumers across key digital touchpoints on the path to purchase. The leading brands had developed their digital strategies and good progress had been made in building the technical ecosystem to support this journey. However little work had been done on defining the future operating model that would support the business and IT once the programme had completed. We led the definition of the future operating model for digital marketing capabilities across global and local functions. Working across global IT and business teams, we modelled the future organisation required to activate, embed and support the new digital marketing capabilities on an ongoing basis.
- Close Brothers Bank was consolidating and centralising the IT infrastructure which supported each of its six main businesses. In order to support this change, a set of roles, processes and tools needed to be developed for capturing and supporting the requirements of six businesses. We worked with the leadership teams of each of the businesses to develop and implement a new IT operating model, supporting a shift to a shared services platform.
- Diageo had traditionally delivered reporting and business insight, locally, through each of the regional business units, with a small number of large programmes being delivered through their central business services function. To create a competitive advantage over their peers, they centralised all Data and Analytics activities under a newly formed directorate. Having bought all the existing teams under the same umbrella, they needed to establish a collectively agreed global operating model. We worked with the newly formed Data and Analytics leadership team to define a new operating model that was tailored to the specifics of the Diageo business.

