Visualising Organisational Change: Why You Need a Target Operating Model

Successful transformation requires clarity not just on what you are trying to achieve, but also on the best operational set-up to achieve it. This is where a Target Operating Model (TOM) comes in: a high level representation that shows how your business will be organised to deliver on its transformation strategy.

Here's a closer look at how a TOM can help you visualise and then execute major change.

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What is a Target Operating Model?

To understand this, we'll momentarily leave Target to one side, and focus on Operating Model.

Deloitte describes an operating model as "the configuration of the organisation to deliver its strategy". In other words, whereas your business strategy articulates what you are trying to do, the operating model describes how it's done. It shows how processes, people and technology come together to deliver your objectives.

The layout and exact contents of the model will of course depend on the type and complexity of the business. Typically however, it should communicate the following:

- An organisation chart, illustrating the purpose of all business functions/departments and how they relate to each other.

- Key processes, how they are actioned (including technologies deployed), and who has responsibility for them.

- Cross-structure governance: how activities that cut across the structure of the business are managed.

- Role descriptions: who is responsible for what, including information on accountability.

- Location footprint: explaining where activities are carried out, and why.

An operating model is descriptive: i.e. it illustrates where your business is and how it operates right now. By contrast, a target operating model is a blueprint for the future: in other words, it sets out how your organisation will operate and what it will look like as you implement your desired changes.

Benefits of a Target Operating Model

A business transformation strategy document is useful for setting out what you intend to do, and why. But what will those changes actually look like in real life? Setting out major business processes, the roles and responsibilities of personnel, technologies, locations and governance, a TOM fills in those gaps for you.

If it's available at an early stage, a TOM can help you secure buy-in from senior stakeholders: it becomes much easier for them to visualise your proposed changes, appreciate their value and ultimately, sign off on them.

More widely, your TOM can be a valuable tool in boosting employee engagement. Through a clear, well communicated operating model, each team member should be able to grasp their role, and where they sit in terms of the bigger plan.

A TOM provides clarity on who does what and when. It sets out a clear internal structure for decision making and cross-departmental coordination. With this transparency, the scope for misunderstandings and internal conflict should be significantly reduced. All of this can go a long way in boosting your project's prospects of success overall.

Getting it right

Here's an overview of our approach for putting together an effective TOM.

Articulate your expected

The creation of any model should be guided by design principles: i.e. descriptions of the most important goals you want that model to achieve. In the case of a TOM, these design principles will be aligned with the topline objectives of your transformation project. A handful of examples might include:

- Boosting organisational productivity and efficiency

- Improved integration of departments, processes or data

- More effective decision-making

- Increased agility to promote innovation and resilience to change

- An overall better customer experience

- Increased profits

Capture the current state of play

For most organisations, their current way of doing things has evolved organically. In many cases it has never been formally articulated through a written model. Or if it has, that model is no longer a useful or accurate depiction of how the business operates.

We need to pin down the 'as is' at an early stage. For this, we need to draw up what is, in effect, a current operating model. This involves a deep-dive into existing processes, departments, roles and decision-making procedures to understand and visualise how everything fits together.

This exercise provides a baseline from which we can identify what needs to change (and what doesn't).

Define the capabilities needed outcomes

We've formally assessed how your organisation operates at present. Next, it's necessary to establish what needs to change in order to fulfil your organisational goals (referring back to the TOM design principles).

For example, one of your core objectives may be to improve decision making, and a key part of this will include making it easier for employees to access and make sense of organisational data. To achieve this, changes to your organisational structure might be desirable (e.g. reducing the number of decision making layers). Roles may be redefined, with a greater emphasis on strategy as opposed to routine processing. Further, new technologies may be required (e.g. self-service data analytics).

Design your TOM

Taking into account the changes required, we can then work with you to prepare your TOM. It may be simply a case of scaling up or tweaking your current operating model. Alternatively, if the changes required are significant, it could involve a complete model redesign. The important point is that the resulting model is an accurate depiction of how your organisational goals are going to be met.

Strengthening the business case for change

Let's say you have identified the need to overhaul your company's data architecture. However, as things stand, you are experiencing difficulty in convincing stakeholders that the cost and upheaval involved in such a move is worth it.

A TOM enables you to make your case much more effectively. For instance, key organisational aims might include being able to harness customer data to deliver better experiences. Additionally, you might want to see fewer silos between departments and greater collaboration. Furthermore, there may be a desire to improve access to systems for 'hybrid' remote/office-based teams. With a TOM, it becomes much easier to demonstrate why particular changes are necessary, and where those changes fit into your wider plans.

Next steps

For 25 years, Millennium Consulting has built a reputation for delivering successful change. This includes workable strategies to solve customers' most complex problems, along with the development of Target Operating Models that ensure successful implementation.

To get your organisational change project off to the right start, contact Millennium Consulting at assist@millenniumconsulting.com

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