



# Target Operating Models

Designing and implementing effective Target Operating Models to enable organisations to realise their business strategies, visions and plans



## Target Operating Models

### Introduction

Many of our customers have defined the business strategy for their organisation and are seeking support in developing a detailed and actionable plan for its delivery. **Jumping straight from strategy to delivery plan is, however, rarely successful.** This is usually for two reasons.

1. Good strategies articulate what an organisation is seeking to do and how this will be approached, but few articulate how that approach will be realised by the organisation on a day-to-day basis.
2. The way in which an organisation delivers its strategy depends on the interaction of staff, the systems and processes that support them, and the manner in which they undertake their tasks and use those tools. Implement a strategy without a clear articulation of how it will be supported by all key elements of an organisation's operations usually leads to disjointed and inefficient results, which can be significantly detrimental to the business' performance.

At CBO we support our clients to develop Target Operating Models (TOM) to avoid this situation, and ensure that you have a detailed, clear and comprehensive articulation of how you will deliver your business strategies. CBO deploys a proven process to help you articulate all key elements of how your organisation will operate in the future, ensuring that this 'operating model' aligns and supports your organisational strategy, and is coherent and commonly understood internally.

We develop TOMs for both whole organisations, and for specific business functions. The latter is often useful when a management team is seeking to understand how it can best play its part in a new organisational structure or following changes in the direction of a group of companies.

Our recommendation is always to include the development of an implementation plan within the process of developing a Target Operating Model, thus ensuring that any subsequent project to deliver the Model is based on firm foundations and is therefore likely to succeed.



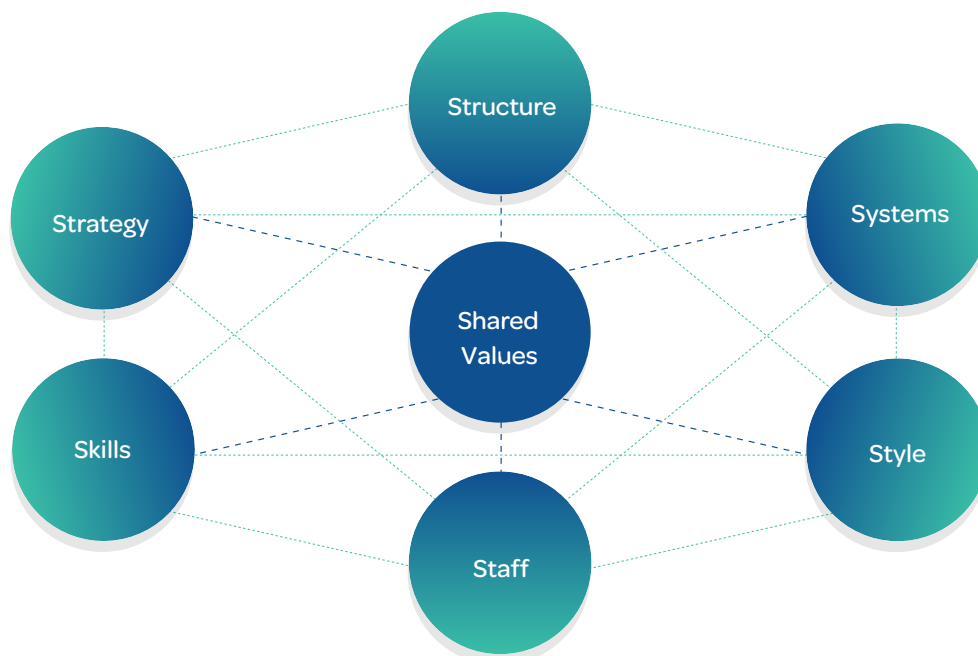
## How does CBO develop a Target Operating Model?

CBO's approach to developing a Target Operating Model is based on the McKinsey 7S Framework. This provides a structured articulation of how an organisation will operate from a series of complementary perspectives.

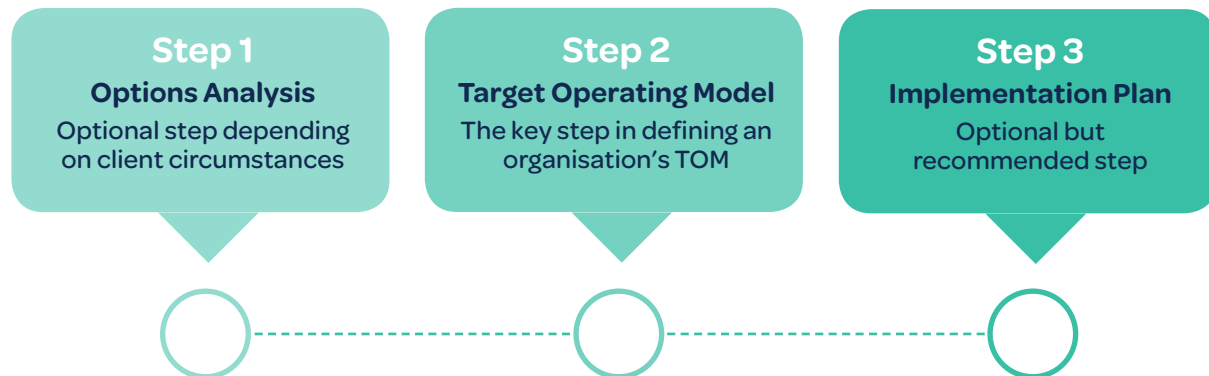
While we actively explore each of the seven perspectives with our clients, illustrated in the diagram, we normally document the resulting Model using the simplified list of five given below.

We find that this provides a simpler articulation of how the organisation will work and resonates better with how our customers think about their organisation.

- **Strategy:** what the organisation's strategic goals are and, at a high level, what its approach is to delivering them
- **Systems:** what budget, IT systems and business processes will be utilised to deliver the strategy
- **Structure:** what organisational structure is required to effectively deliver the deliver those systems of work.
- **Staff and Skills:** what staff, with what competencies and training, will be recruited or retained to make the structure effective.
- **Shared Values and Style:** what corporate culture will be fostered, and how leaders and staff will be encouraged or required to interact with each other and with customers.



At CBO we normally apply this model through a 3-step process, although individual clients may not require the first or third step. This is described below.



### Step 1: Options Analysis

CBO are often engaged at a point where an organisation still has many options for how it could deliver a strategy. This is particularly common if we are working with an organisational unit which is seeking to apply a corporate strategy. A classic example could be that a strategy could be delivered through either in-house or outsourced service provision, but this has yet to be determined.

In such situations, it may be premature to start to develop a Target Operating Model as there are too many options are still 'on the table'. This results in early drafts of the TOM being bloated, attempting to define in an inappropriate level of detail how the many different options will be delivered. This is both frustrating and a waste of our customers' time and money.

To address this, CBO often start Target Operating Model engagements with a period of Options Analysis. CBO have a number of tools and techniques that we use to structure such analysis, two examples of which are:

**1. CBO's 'Assumptions Framework':** this is a simple tool, which sets out the formal assumptions of the future Operating Model (e.g., those captured in business plans) against the informal assumptions of senior stakeholders, through targeted workshops. The tool aligns to CBO's adaption of the McKinsey 7S Framework and has proven to be a rapid means of both converting management teams' assumptions about how to progress into a formal approach, and to expose where individuals have conflicting views on the best way forward for an organisation.

**2. Quantified Options Analysis:** we work with our clients to develop a framework for identifying and comparing the attractiveness of the different options available to the organisation for the type of Operating Model they wish to design and implement. This does not, in itself, develop the detailed operating model but can, for example, help organisations make 'first order' decisions such as what services they wish to deliver themselves, and in which jurisdiction.

Once this Options Analysis stage has been completed, the client is ready to begin the development of the Target Operating Model itself.

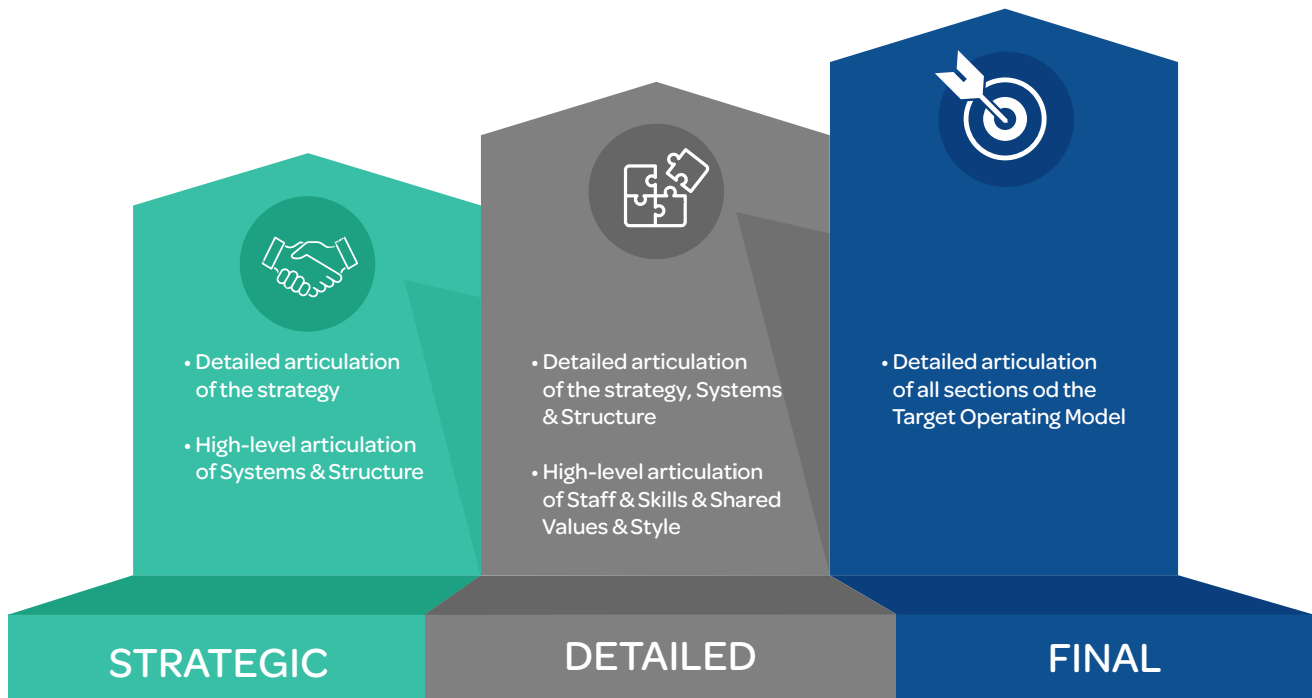
## Step 2: Target Operating Model

In this step, CBO work with our clients to populate the 7S Framework and formally document the model that is created.

CBO do this in an iterative manner, with each iteration usually being based on the following cycle:

- Background research by CBO consultants to develop options for review.
- Conversion of the decisions made in the workshops into a formal draft of the Operating Model.
- Workshops with a consistent cross-section of stakeholders, to identify preferred options and amend them to best suit the organisation.
- Review of the draft by the Project Sponsor or Board, and confirmation that it is 'on track', and that the cycle should recommence to develop the next – more detailed – iteration of the operating model.

Each iteration of the Target Operating Model developed in this way covers more 'dimensions' of the Target Operating Model, and in more detail. The diagram and table below illustrates this.



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## Step 2 continued

1 Strategic	2 Detailed	3 Final
<ul style="list-style-type: none"> <li>• A detailed articulation of the Strategy (often this is well formed, either as a result of the work in the Options Analysis step, or as the organisation has a clear and documented Business Strategy).</li> <li>• A high-level articulation of Systems and Structure (for example, including a list of key functions that need to be delivered, and a team-level organisational diagram).</li> </ul>	<ul style="list-style-type: none"> <li>• A detailed articulation of the Strategy, Systems and Structure sections (for example, including a full list and description of business processes, and a position-level organisational diagram, and an operating budget).</li> <li>• A high-level articulation of Staff and Skills, and Shared Values and Style (for example, 1 paragraph job descriptions and an articulation of the key principles that should inform organisational culture).</li> </ul>	<ul style="list-style-type: none"> <li>• A detailed articulation of all sections of the Target Operating Model (developments from the second iteration could include, for example, full job descriptions, and a set of incentives to ensure conversion of the desired culture into day-to-day behaviour by staff).</li> </ul>

CBO recognises that different organisations wish for their Target Operating Models to be populated to differing degrees of detail. While some want it to spell out every role and responsibility, others want it to act as a high-level ‘blueprint’ for their management team to turn into reality. We discuss this with you before starting this stage, and tailor our approach to meet your requirements.

### Step 3: Implementation Plan

We are very aware that, if not implemented consistently and reasonably rapidly, a Target Operating Model can become ‘shelf-ware’ that does not genuinely drive change or benefit the organisation.

To avoid this, we always recommend that an Operating Model includes a clear implementation plan, which can be formally approved by the Project Board or Sponsor – and ensure that the modelling work supported by CBO seamlessly transitions into delivery.

To create this plan, CBO applies the project planning techniques and rigour that we would utilise if running the implementation project ourselves.

As a result, the organisation is left with the certainty that it has not only defined its future mode of operating but has clarity and a roadmap on how to make it reality.



## How we can help

We recognise that all organisations operate within different contexts and that our clients **Target Operating Model** requirements are each unique. Our offering can be tailored to your specific situation, context and needs. At CBO we help you understand and navigate your operating model considerations to define and approach that is proportionate and pragmatic.

We have been supporting many organisations to understand their approach to and working with them on defining their Target Operating Models to enable them to realise business strategies, visions and plans. Our team is one of highly experienced and skilled professionals who work collaboratively with our clients to positively influence the development of their Target Operating Models.

**If you are interested in learning more about any of the topics raised in this paper, please contact one of our team.**

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