Target Operating Model

Design and Deployment

Why is an Operating Model Important?

The model bridges the gap between strategy and operational resources

- **Products and Services**
  - What do we offer
  - Alignment to customer needs and objectives
  - Includes details such as SLAs and other one or two way obligations
- **Customers**
  - Who are the customers
  - What are their needs and objectives
  - Are they internal or external
  - Sometimes not obvious – e.g. regulators may be "customers" in certain situations/contexts
- **Channels**
  - How will the products and services be delivered
  - How do the channels align to the objectives of both the customer and the business
  - Key drivers need to be explicitly noted – e.g. cost, geography, service levels
- **Business Capabilities**
  - Skills required to deliver
  - Not organisationally bound, either internally or externally
  - Must think of them as generically as possible, free from preconceived ideas
- **Governance**
  - Who is accountable? Who are the stakeholders?
  - How are decisions made?
  - How is control exerted? Quality measured?
- **Organisation Model**
  - How will business capabilities be grouped
  - Influence from other functional areas
  - Remove duplications
  - Geographies
  - Sourcing (insource; outsource; hybrid)
- **Process**
  - Processes used in the provision of products and services
  - Business capabilities used to execute at the next level of detail
- **Data & Technology**
  - Systems needed in support of all the above
  - Fully governed data required in support
  - Not just items required for the delivery of the product or service, but also in the management of their production
  - KPIs
  - Metrics
  - These need to tie back explicitly to organisational objectives, customer objectives etc.
- **Talent Management**
  - End to end lifecycle (recruitment; onboarding; development; performance mgmt.; succession planning)
  - Explicitly mapped to business capabilities

Validate the Strategy

Evaluate/re-evaluate ahead of operating model development

- Shared understanding of the goals and objectives is essential to a good operating model
- Issues here will propagate through the resultant model

Drivers for Change

Growth	Competition	Regulation	Cost Reduction	Industry Trends	Innovation Opportunities
• Expansion to new markets • Full exploitation of current base	• New providers • New services • How will we remain competitive	• New regulations • Meeting current regulations	• Constant awareness of overhead and running lean • Standardisation and globalisation where appropriate	• Understanding new opportunities • Anticipation of change • Prioritisation of investment	• Core model optimisations • Incremental improvement • Disruptive transformation

Framework to Deliver the Strategy

All 6 key components must be assessed

- The components of an organisational model are closely interrelated and should be considered together
- There is no imperative to change them all – do not fix what isn't broken
- The objectives of an updated strategy or operating model redevelopment exercise should provide key focus areas
- Regardless, it is important that all areas are assessed to ensure appropriateness

Business Capabilities

- **Business Capabilities**
  - Assessed
  - Agreed
  - Aware of what is available elsewhere in the organisation
  - Aligned to objectives, products, services

Process

- **Process**
  - How well defined, understood, efficient and consistent are the processes and procedures
  - Do they provide adaptability to enable change (internally or externally driven)

Governance

- **Governance**
  - Decisions rights, roles and responsibilities
  - Regional/global views
  - Hierarchy of authority
  - Decisions data based and timely
  - Benefits tracking to ensure the op model remains aligned with strategy, and that strategy is delivering value
  - Risk tracking

Data & Technology

- **Data & Technology**
  - Does the technology give the adaptability required (process, capabilities etc.)
  - KPIs and how will they be measured/ benchmarked
  - What processes are in place to ensure consistent deployment of data and tech?

Organisation Model

- **Organisation Model**
  - Supports the strategic objectives
  - Right sized/right shored
  - Roles and responsibilities clearly defined, articulated and understood across the organisation

Talent Management

- **Talent Management**
  - Are the right resources with the right capabilities in the right part of the org
  - Capability gaps (present and future)

Operating Model Delivery Phases and Artefacts

4 phases are needed in the development of a successful model

- Order of execution is very important – engenders a structured approach and avoids preconceived ideas taking precedence
- It's vital to ensure phases are complete before moving ahead materially to avoid rework, wasted effort and poor conclusions

Key Activities

Current State Assessment

- Articulate, validate and refine strategy
- Define current capabilities
- Assess model effectiveness
- Establish organisational baseline spend, headcount by role, function and geography
- Identify pain points, root causes and improvement opportunities. Customer feedback is invaluable
- Develop first draft recommendations and business case

Target State Development

- Define design principles
- Develop options
- Select preferred model
- Define communications strategy
- Refine organisation baseline
- Revisit and agree business case

Build

- Define op model structures, priorities and benefits
- Define and build org structure
- Confirm resourcing requirements
- Align with governance and talent strategies
- Develop implementation roadmap
- Develop org and workforce transition plan
- Refine business case
- Maintain core business during transition

Implementation

- Reorganise key functions
- Develop KPI dashboard
- Implement change impact plan
- Transition workforce
- Continuous monitoring
- Evolve and manage risks

Outputs

Current State Assessment

- Stakeholder assessment
- Documented vision, strategy and objectives
- Current operating model
- Business case including initial recommendations
- High level business processes documented
- Inventory of policies and procedures
- Inventory of governance structures and decision rights
- BCM
- IT application landscape
- List of pain points and focus areas
- Operational risk assessment
- Financial position (budgets; actuals)
- Best practice analysis
- Workforce assessment
- Draft IT architecture and principles
- Draft business design principles
- Operating model hypotheses

Target State Development

- Op model design
- Value proposition
- Refine BCM and target capability levels
- High level non-functional requirements
- Gap analysis
- Communications plan
- Refined business case
- Business processes
- Org model
- Governance structure
- Balanced scorecard
- IT architecture principles defined

Build

- Headcount requirements
- Draw up roadmap incl any interim states
- Refined business case
- Org structure
- Job design
- Competencies
- Workforce transition plan
- Programme structure

Implementation

- Implement Solutions
- Ongoing monitoring programs
- Benefits tracking
- Dashboard aligned with revised op model and balanced scorecard

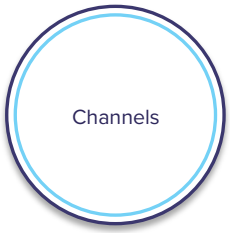
Appendices

Validating Business Strategy

Typical questions to ask

- What do we offer?
- What are our service levels and do they vary (e.g. by customer)?
- What is the scope of the product/service?
- How do we prioritise what we offer?
- What is our pricing model?
- What are our expected volumes?
- Are there any legal, regulatory or other impacts with the offering?
- How does the nature of our products and services impact global, regional and country based processes?
- What management information, risk management etc. requirements are there for each product?
- What additional products and services do we want/need to offer and when?

- Who do we create value for?
- Which customers do we prioritise?
- What are the revenue streams/costs for each customer?
- How much is their contribution to overall revenue/costs?
- How will they be best served under different scenarios?
- Which specific products and services apply to each customer?



- What different communication and distribution channels are available/used for our products/ customers
- Is there opportunity for self-service, shared service, off-shoring and/or outsourcing?
- How well does each channel work?
- How expensive/cost efficient are each of our channels?
- How do we prioritise the channels?
- What is the pricing model for each channel?

Business Capabilities

Additional information

- Business capabilities are skills/competencies that allow the organisation to deliver value
- They are common logical groupings across the people, processes and technology articulated for a single purpose
- Importantly capabilities are not dependent on organisational boundaries, business processes, people or domains
- Capabilities are unique, non-overlapping items that collectively complete those required for the organisation to deliver

Key Steps	Activities	Key Considerations
Conduct assessment	• Assess the organisation to gain an understanding of the current state versus future state capabilities • Identify gaps and action plans to address them • Identify common capabilities that could be rationalised or leveraged	• Have capabilities been developed at an enterprise level? Can/should these be leveraged? • Do the capabilities drive towards and support business goals? • Which capabilities are specific to each line of business? • How is the need for these capabilities communicated to senior management such that the right people can be deployed? • Identify behavioural definitions for each competency and levels of development required for each • Have pivotal roles been reviewed, especially with a view to key differentiators? • How does the organisation encourage the embracing of change in capabilities without causing divisions?
Define requirements	• Understand the business strategy and strategic objectives • Define the core business capabilities required to execute the strategy • Develop a business capability map and decision matrix • Map capabilities to products, services and functions	
Implement/refine	• Create business capabilities overview map • Conduct a business capabilities impact assessment, including linkages to process, technology and talent requirements • Communicate to all groups • Develop external content for launch (as required)	

Process

Additional information

- Processes are the workflows that provide the customers with products and services
- They need to be prioritised against business objectives in order to ensure the overall business case is implemented
- Standard operating procedures should be established to allow the organisation to deliver consistent results (globally, across departments etc.) in the most efficient way

Key Steps	Activities	Key Considerations
Conduct assessment	• Conduct process review to understand the link to the organisation's structure and approach • Interview key stakeholders to identify pain points and areas for focus	• How well defined are the processes and procedures? • Are products and services delivered consistently? • What governance processes are in place to ensure consistency of approach? • How agile are the operations? Will they provide the adaptability needed to meet changing requirements (both internal and external)? • Which processes are most critical? • Are employees ready to accept new/revised processes? How do they manage change? • What internal and external triggers create the case for change?
Define requirements	• Generate hypotheses to identify new, inefficient or redundant processes • Gather and refine competitor/industry leading practice information • Perform opportunity/benefits analysis, quantify costs and build a business case and framework for improvement	
Implement/refine	• Develop refined business processes • Establish enabling tools required to execute processes • Develop an implementation plan and align workflows to the plan • Launch and monitor new processes	

Governance

Additional information

- Well defined governance is essential in providing clarity on objectives and relative priorities, and gives clarity on decision rights
- Decision rights detail who is accountable for key decisions and details the appropriate governing body/bodies
- Different levels of governance and decisions rights are likely to be required for operating at different levels within the organisation

Key Steps	Activities	Key Considerations
Conduct assessment	• Understand the current governance structures • Create an inventory of decisions • Articulate priority policies and processes to execute the required decision making workflows	• What are the decision rights and accountabilities assigned at global, regional and local levels? • Are decision making processes well defined and clearly understood and followed? • How are they monitored/policed? • Are decision making groups operating according to defined roles and responsibilities? • Are decisions made based upon fact based analysis and executed in a timely manner? • Are decisions consistently communicated across the organisation? • To what extent are strategies and goals used as guidelines for decision making?
Define requirements	• Establish a governance structure including committees and other decision making bodies • Assign appropriate decision rights at each level of the organisation	
Implement/refine	• Communicate roles and responsibilities • Equip individuals throughout the organisation with the enabling infrastructure, applications, tools and data to facilitate effective decision making • Hold regular meetings with commitment from all involved • Establish a high degree of collaboration between functional areas	

Data and Technology

Additional information

- Refers to the KPIs, metrics and systems required to deliver the products and services and continually improve, monitor and control delivery
- Technology must be aligned to business objectives, prioritised and aligned accordingly
- Establishing strong KPIs and metrics is essential in identifying success/failure and opportunities for change
- Providing standardised core systems and tools that support the organisation's objectives provides efficiencies for data management and reporting
- It is rarely beneficial to start operating model development with technology

Key Steps	Activities	Key Considerations
Conduct assessment	• Conduct a technology review to understand the links with the organisation's structure and approach • Assess data governance maturity	• What processes are in place to ensure that all technology is deployed in a similar fashion across lines of business? • How agile are the systems? Can they meet changing requirements? • What end of life legacy technology is supporting critical processes? • How will employees embrace new systems? • How is data governance perceived and communicated? • Who is using the data and for what purposes?
Define requirements	• Generate hypotheses to identify new, inefficient or redundant technology • Gather and refine competitor/industry leading practice information • Perform opportunity/benefits analysis, quantify costs and build a business case and framework for improvement • Develop data governance framework to address gaps	
Implement/refine	• Establish enabling tools and data sources • Develop technology architecture and plan • Define all data and follow full data governance • Create MI (dashboards and reports) to help the organisation drive toward its strategic objectives	

Organisation Model

Additional information

- Defines the organisational structure
- Encompasses people and locations
- Helps identify reporting structures, target headcount and functional responsibilities for each area
- Consistency of approach is essential – people respond both positively and negatively to the organisational model so do not take it lightly

Key Steps	Activities	Key Considerations
Conduct assessment	• Assess current delivery model • Decide on corporate and business unit locations] • Choose a centralised, federated, shared service model	• Does the organisation model support the achievement of strategic goals and objectives? • Are roles clearly defined and communicated? • What finance alignment is required? • Is the organisation model complimentary with all other operating model inputs? E.g. does it support governance?
Define requirements	• Determine common functions that can be consolidated versus those that should be dedicated to lines of business, outsourced etc. • Determine functional groups, organisation structure, target headcount and functional responsibilities for functions and sub-functions	
Implement/refine	• Align and communicate roles and responsibilities and reporting relationships • Transition to the new organisation structure	

Talent Management

Additional information

- Talent strategy to attract, develop and retain core staff essential to the organisation
- Alignment of skills and experience to functional roles and strategic objectives
- Effective management of the overall lifecycle including workforce planning, recruitment, onboarding, development and performance management
- Effective management of the workforce is increasingly important with the changing demographics and locations of the workforce

Key Steps	Activities	Key Considerations
Conduct assessment	• Assess hiring, onboarding, development and retention strategies and practices • Assess strategic workforce planning approach and inputs	• Are the right resources with appropriate skills assigned to key roles? • Do employees feel personally connected to their jobs, teams and/or the organisation? • Have you established and communicated clearly defined career paths and staff development initiatives? • What skills are required to drive the strategic objectives, differentiate the business and manage risk? • Do people have the appropriate intercultural skills and awareness to operate effectively against the operating model? • Are global mobility programs enabling the deployment of talent on a seamless global basis?
Define requirements	• Refine strategic workforce planning approach using gap analysis against leading practice • Design and build a talent management program that develops and employs a consistent equitable and inclusive talent identification process	

Implement/refine	• Allocate resources to support the talent management program including
	  • consistent career paths
	  • performance management measures
	  • knowledge sharing of best practices
	  • consistent communications
	  • change management and leadership programs to facilitate succession planning
	• Implement and monitor the talent program	