

BUSINESS ARCHITECTURE

TOM - a necessity for growth and survival in Asset Finance

David Winders discusses the need for a Target Operating Model to ensure clarity in business development



What is a Target Operating model? A Target operating model (TOM) is a way of showing what a business will look, operate and feel like at a defined point in the future; usually several years ahead. It

commonly takes the form of a document comprising diagrams supported by textual descriptions from a series of perspectives or viewpoints. The viewpoints are designed to communicate to different groups of stakeholders the design of the future business from their own particular stand point or interest - a sales director may well wish to understand how the channels to market will look like in the new design, whilst the operations director may well wish to understand how the process model delivers service differentiation.

The purpose of a TOM is to give clarity to where the business wishes to go and is used for communicating the destination with staff, stakeholders and shareholders alike. The TOM forms the basis for integrated plans for the business development over the period that the TOM represents; this is often described as the route-map. The discipline of developing TOMs is useful to serve as design blueprints for functional components within the business at a level lower than enterprise level. An example would be a TOM for risk management or a TOM for a particular channel or vendor relationship showing how that part of the business would develop over a period of time.

Why would you want to spend time and money developing this architectural view of your organisation? Many businesses develop and grow organically without any design or formal planning. Over the years many organisations have grown by a combination of chance, brand strength and sales flair; this is due to a combined result of responding

to competitive demands, and to the exploitation of opportunities that have come their way. Often this way of working is driven by short term goals, frequently based on annual sales targets and budgets rather than a longer term strategy based on proposition development and the building of a business to deliver those defined goals. This short term approach may not be valid for today's competitive environment where just having a brand and generating business due to market presence or historic "laurels" is insufficient in a market place where the need to make you different is the key to creating future demand.

What a particular proposition an asset finance business presents to market is not often clear. It seems all too often to alter on a quarterly basis as personnel change and new opportunities come over the horizon. Indeed the "stall" set out by different parties within the business is often different or in conflict.

How often do we see a new senior business development manager arrive with new approaches to develop a "new" business segment with ideas that are then implemented in sales, whilst the risk and operations management are still operating on the established model. The result is a wasted expensive appointment, often short lived, accompanied by vast volumes of internal conflict, politics, cultural damage and a failed opportunity. So many times we see organisations dipping in and out of markets as a result of this type of approach - dealer bodies and manufacturers consistently complain of this feature of our industry. This is surely down to a lack of design discipline and a "make it up as we go along" - fortuitous - approach to business development.

A business change process, using the TOM as a component part, is essential in firstly identifying what your proposition actually is, i.e. what the "stall" is set out to be, and next developing this into a design and then a plan to take you to that design. The business change process makes sure everyone in the organisation is clear and is "pulling in the same direction".

The business change process allows for change and review by re-evaluating the strategy and re-developing the TOM and the downstream plans accordingly. This enables slight course corrections to be made in the destination and keeps the business focus to that of comprehending its market position and adapting in an agile manner to change. This structured approach must not be seen as stifling the ability to respond to competitive demands but a way of developing a strong partnership between entrepreneurial flair and good corporate governance.

The benefits of developing a Target Operating Model for your business are:

- You know what the business wants to be and how it wants to differentiate itself amongst its competitors.
- You understand what the gaps are from today's business to where you want to be.
- You understand what capabilities you need to develop to become what you want to become.
- You understand where you should spend your money and where you should not.
- Your people are clear about what the company is about and where it wants to be.

All this adds up to developing an organisation that has a clear vision of the future based on a logical sound argument giving clarity and focus in a joined up way. Its people are aligned and working together towards a clearly understood and sensible future. Such an organisation has great potential in becoming a performing organisation.

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