

TOM vs Future Org Chart

Idea In Short

A Target Operating Model (TOM) serves as a multidimensional blueprint integrating processes, technology, governance, and culture to deliver strategy. In contrast, an Org Chart merely maps reporting lines. Misidentifying the latter as the former leaves organizations with a new hierarchy but the same broken internal mechanics.

Corporate boardrooms often suffer from a dangerous obsession with the Org Chart. When performance dips or a new strategy emerges, the instinctive response of many executives involves redrawing the lines of authority. They move boxes, create new titles, and appoint regional leads, believing that a shift in the hierarchy will automatically translate into a shift in results. This phenomenon represents the Structural Fallacy:

the belief that the reporting structure is the primary lever for organizational change

In reality, the Org Chart is a static administrative map. It indicates who conducts a performance review or approves a travel expense, but it offers no insight into how value actually flows through the enterprise.

Consultants and clients alike frequently use the term Target Operating Model (TOM) when they are actually just discussing a future-state Org Chart. This linguistic sloppiness carries heavy costs. Redrawing a chart without redesigning the underlying system is like changing the exterior paint of a vehicle while leaving a failing engine untouched. The car looks different, but its performance remains identical. A true Target Operating Model is the holistic engine of the firm. It defines the integrated systems of people, process, technology, and data required to execute a specific strategy. Without this depth, a reorganization is merely an expensive exercise in corporate musical chairs.

Defining the Target Operating Model

A Target Operating Model functions as the functional bridge between high-level strategy and daily execution. If the strategy defines the destination, the TOM is the architectural blueprint for the machine that will get the company there. It encompasses several distinct layers that must operate in synchronized harmony.

Processes and Value Streams

The most critical component of a TOM involves the end-to-end processes that transform inputs into customer value. While an Org Chart segments people into functional silos, a TOM views the organization through the lens of Value Streams. It maps the journey of a product or service from conception to delivery, regardless of which department handles the work. When a company reorganizes its sales team, but leaves a cumbersome, fifteen-step contract approval process in place, the sales team will continue to fail. The Org Chart changed, but the process remained an anchor.

Governance and Decision Rights

Governance defines how an organization makes choices and who possesses the authority to commit resources. A common failure in structural reorganizations involves the "shadow hierarchy", where employees continue to seek unofficial approval from former managers or central committees. A robust TOM uses frameworks like the Responsible Accountable Consulted Informed (RACI) matrix to clarify decision rights. Effective governance ensures that the speed of decision-making matches the needs of the market, moving beyond the simple "up and down" reporting lines of a traditional chart.

Technology and Data Architecture

Technology serves as the nervous system of the Operating Model. Many digital transformations collapse because leadership attempts to layer modern software over an old, fragmented Operating Model. Conversely, they might change the Org Chart, but leave critical data trapped in legacy systems that cannot communicate across the new departmental boundaries. A TOM dictates the data architecture required to enable the strategy. If a bank intends to offer a seamless digital experience, its TOM must ensure that the retail branch systems and the mobile app share a single, real-time view of the customer.

The Human Element Beyond the Box

The Org Chart treats people as interchangeable units within a box. A Target Operating Model views people through the lens of Capabilities and Culture. It identifies the specific skills required to win in a competitive landscape and designs the environment where those skills can flourish.

Capability Mapping versus Headcount Tracking

A structural change often focuses on headcount reduction or "spans and layers" optimization. A TOM design focuses on Capability Mapping. If a traditional retailer decides to pivot to an e-commerce model, they need more than a new Digital Division on the chart. They need a fundamental shift in talent, incorporating data scientists, logistics experts, and user experience designers. Simply reassigning existing retail managers to new boxes does not create a new capability. The TOM identifies the "skills gap" and builds the path to close it through hiring, training, or acquisition.

Culture as the Underlying Logic

Culture represents the unwritten rules of behavior that dictate how work actually gets done when no one is watching. An Org Chart can mandate collaboration, but it cannot force it. If the culture rewards internal competition and gatekeeping, a new "collaborative" structure will fail. The TOM addresses culture by aligning incentive structures, performance metrics, and leadership behaviors with the intended outcomes. It recognizes that the human operating system must be compatible with the structural code.

Common Misuses by Consultants and Clients

The industry is rife with "reorgs in disguise". Clients often ask for a TOM because it sounds more sophisticated and strategic, yet they resist the deep work required to change processes or technology. Consultants sometimes play along, delivering a deck full of Org Charts and calling it an Operating Model to secure a quick win.

The Powerpoint Pivot

Consultants frequently use the "Powerpoint Pivot" where they present a high-level conceptual diagram of an Operating Model, but spend 90% of the engagement on structural design. This happens because structure is visible and relatively easy to negotiate. Changing a process requires grit, deep functional knowledge, and the willingness to confront

entrenched interests. When a consultant delivers a TOM that is primarily composed of reporting lines, they have done the client a disservice by ignoring the mechanics of delivery.

The Centralization Seesaw

Clients often fall into the trap of the Centralization Seesaw. They believe that moving from a decentralized model to a centralized one—or vice versa—is the primary solution to their problems. However, the issues of speed or efficiency are rarely solved by the location of the box. They are solved by the quality of the governance and the integration of the technology. A centralized structure with poor data is just as slow as a decentralized one with redundant processes.

The Sequencing of Design

A successful transformation follows a strict order of operations. The design must flow from Strategy to Operating Model and finally to Org Chart. Redrawing the chart first is a recipe for misalignment.

- **Strategy:** Defines the competitive advantage and the target market
- **Operating Model:** Designs the processes, technology, and governance to deliver that advantage
- **Org Chart:** Assigns people to the roles required by the Operating Model

When this sequence is followed, the structure becomes a servant of the strategy. The boxes and lines are drawn to support the flow of work, rather than forcing the work to adapt to a pre-existing hierarchy. This approach ensures that the organization is not just "different", but actually "better".

Summary

A Target Operating Model is a multidimensional system that integrates process, technology, and governance to execute strategy. An Org Chart is a simple map of reporting lines. Strategic success requires moving beyond the "boxes and lines" to redesign the functional mechanics that drive actual business value and performance.

