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Target Operating Models That Work: From Vision to Value

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Introduction

A Target Operating Model (TOM) isn't just a process framework—it's the central nervous system of any modern financial institution (FI). A well-designed TOM is the launchpad for effective data management and speed to revenue. So why is it that TOM transformations often fall flat?

One explanation is a lack of shared vision of the future state, which can doom a project from the start. Lack of cross-functional buy-in or lack of adaptability can also cause projects to fail as firms struggle to keep pace with regulatory shifts, client expectations, and scale.

Missteps here derail efforts to implement a strong Client Lifecycle Management (CLM) system—the FI's nervous system. Like the body's nervous system, a robust CLM moves critical data and decisions—connecting touchpoints and helping institutions adapt to changing demands, risks, and regulations.

Many organizations approach TOM transformations as a technology exercise, this is shortsighted. Even the most advanced tools and process redesigns won't deliver the intended value without organizational alignment. Without alignment, each team defines success differently.

In this white paper, Fenergo and PwC break down the strategic risks of an ineffective TOM, explain how to engineer a model that lays the groundwork for a successful CLM implementation, and demonstrate how phasing can turn bold ambition into achievable milestones.

PwC Perspective

A well-executed TOM brings structure to complexity. It defines how people, processes, data, and technology work together to deliver both regulatory confidence and business value. In the context of anti-money laundering (AML) and financial crime, it is the operating model that determines whether compliance is embedded by design or applied as an afterthought.

We consistently see TOM transformations fail when they are viewed as system implementations rather than end-to-end control frameworks. Without clear governance, risk ownership, and data accountability, even the best technology cannot deliver the necessary control and compliance standards. A successful TOM integrates these elements from the outset, aligning transformation efforts with regulatory expectations and operational realities.

When designed well, the TOM becomes more than an execution framework. It enables firms to manage financial crime risks at scale, deliver consistent client experiences, and maintain control integrity across jurisdictions. This is how institutions move from ambition to impact, by building a TOM that not only supports CLM but elevates it as a driver of resilience, trust, and growth.

Align Through Clarity, Deliver Through Collaboration

Before tackling system requirements or workflows, FIs must understand the needs of all major stakeholders. These should include client experience teams, the front and middle offices, compliance, technology, and data (including operations, customer). It's not just about meeting the individual needs of each stakeholder. Cross-functional alignment across the organization will often separate success from failure.

Organizational alignment is essential—but it's just the beginning. True progress requires stakeholders to align around a shared vision of the future-state model. Many transformation projects focus on the need to become more customer centric.

Take this example: A relationship manager wants to trade derivatives across U.S. and Cayman jurisdictions. Siloed processes from an outdated TOM might kick off a slew of manual requests with unclear ownership. The result? Delays, risk, and frustrated clients. A well-architected TOM enables workflow, system, and data connectivity – this enables agility instead of preventing it. The right operating model enables the organization to align talent, workflows, and systems—making it easier to meet evolving demands and regulatory requirements.

True transformation starts with clarity across six domains—from client experience to data. If alignment across these functions isn't optional, it spells the difference between stalled efforts and scalable success. But alignment doesn't mean over-control. Empowering domain experts to lead fosters accountability, trust, and innovation.

1. **Client experience:** What should the journey feel like for clients?
2. **Front office:** What support do relationship managers need to win and serve clients?
3. **Middle office:** What processes ensure onboarding is smooth, compliant, and scalable? Is there an opportunity for client self-service?
4. **Regulatory compliance:** What rules and requirements should be enforced by design?
5. **Technology:** What platforms, integrations, and tools are needed to enable the vision?
6. **Data:** What information is needed, where does it come from, and how is it managed?
7. **Employee Satisfaction:** How can you deliver a more effective user experience for employees that drives greater productivity?

Once the plan is set and all stakeholders are rowing in the same direction, the FI is empowered to evaluate and prioritize use cases.

Getting alignment across stakeholders is hard, especially in complex, siloed environments. This is where an experienced advisor can provide an outside-in perspective, bridge gaps across teams, and ensure the future-state vision is both shared and actionable.

PwC Perspective

Alignment across stakeholder groups is not just an implementation necessity. It is a design imperative. The most successful operating models prioritize two outcomes above all: delivering a seamless client experience and ensuring robust, regulator-ready compliance. These are not competing objectives. They are interdependent and must be embedded as guiding principles across every layer of the TOM.

> "
> *Achieving alignment requires more than functional clarity. It demands joined-up thinking between the business, compliance, operations, and technology, supported by clear accountability for risk, data quality, and escalation."*
>
> **Mark Hunter,**
> Advisory Partner, PwC Channel Islands

When these domains are aligned, firms are better positioned to execute controls consistently, reduce client friction, and meet evolving regulatory expectations with confidence.

Changes to CLM platforms also present a timely opportunity to revisit how operational capacity is structured. This includes evaluating the right mix of onshore, nearshore, and offshore service locations, as well as assessing where outsourcing or managed service models can bring flexibility without compromising control integrity. These choices are not just cost decisions. They directly impact the resilience, control environment, and scalability of the operating model.

True transformation happens when the TOM connects people, process, and platforms around shared objectives and measurable outcomes. When done well, it creates a control environment that is agile, aligned, and ready to deliver at scale.

Laying the Groundwork for Change

Reaching the "to-be" starts with a clear view of the "as-is." Skipping this step risks operational blind spots, compliance gaps, and lost momentum. Leadership should understand that the time, effort, and cost of documenting the current operating model is significant, but the benefits of achieving the target model can enable competitive advantage.

TOM implementations rarely succeed with a big-bang approach. That's why thoughtful preparation and phased design are critical. It's about sequencing wins to build credibility, refine the model, and confidently scale.

You may be thinking, should CLM be central to transformation efforts? The answer is a resounding yes.

A misaligned CLM operating model can have the opposite effect. This can lead to inconsistent compliance, inability to scale and adapt, and repeated costs. Most importantly, it leads to a poor customer experience.

Once we've fully understood the "as is" we can effectively identify use cases and follow a phased approach.

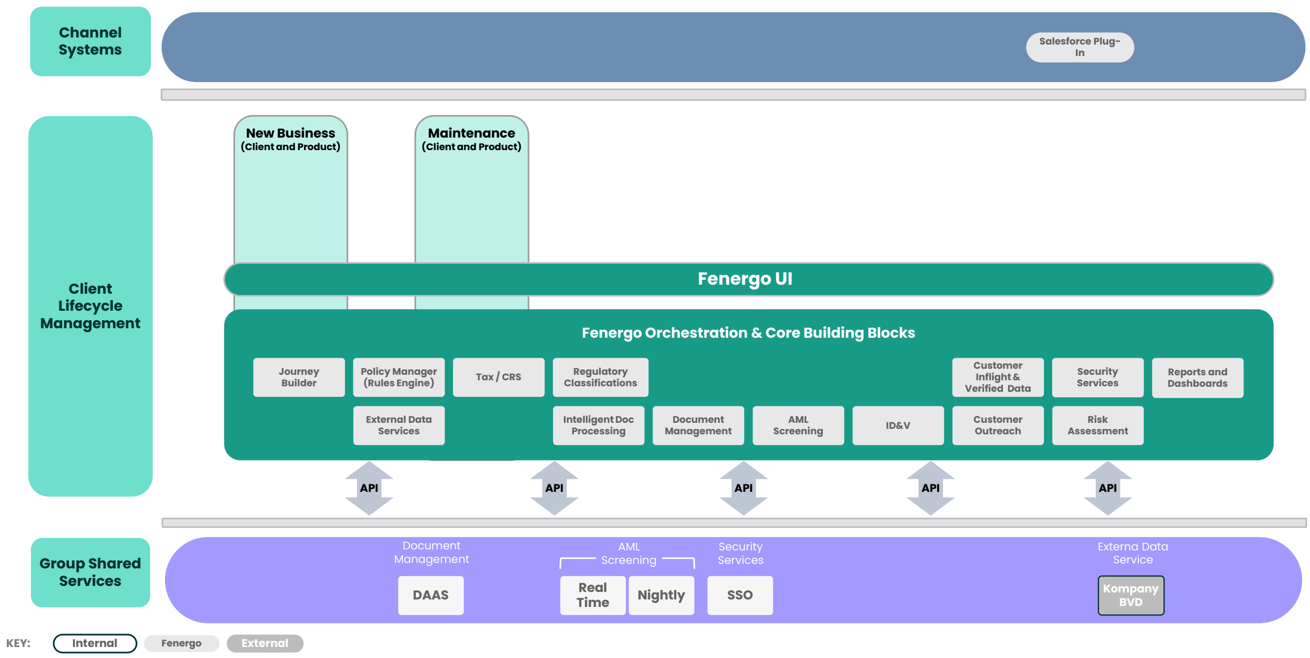
A Phased Approach to Measurable Impact

FIs should frame phases around value delivered to the business and clients, not just the features built. Early phases should be both achievable and tightly scoped. The goal: deliver measurable business value with minimal complexity.

Here is how Fenergo defines the phases of operating model transformation:

Phase 1: Foundation

Focuses on building a minimal set of use cases. Choosing something less complex can help set the foundation. For example, new business onboarding may use limited integrations and workflows. Automation will unlock great operational efficiency and customer impact. It is also low-risk, high reward for the organization. The following diagram shows what a phase 1 approach might look like: few business areas and limited connectivity points.



Phase 2: Expand and Connect

Looks to expand the approach of phase 1, introducing more workflows (e.g. periodic reviews and offboarding), more integration points (e.g. screening), and better channel experiences including client portals. Now that the FI has its transformation sea legs, it can look to address more complex use cases.

Phase 3: Scale with Confidence

Leverages learnings from prior phases and extends transformation across lines of business (e.g., wealth and servicing), attempts to reuse existing capabilities, and scales the platform—all while refining the data model and policy automation.

Build for Scale, Not Just Speed

Evaluating use cases isn't always about quick payoffs. Some of the most critical use cases may not yield immediate ROI, but they lay the groundwork for unlocking value down the road. Building a client portal, for example, is expensive. While delivering self-service and straight-through processing capabilities is ideal, it won't deliver value quickly. However, the payoff jumps exponentially as operations scale. Speed-to-revenue may be the immediate win of a modern TOM and effective CLM, but enabling long-term agility and adaptability is also important.

Leaders have a tough decision on whether and when to invest in infrastructure, including master data management (MDM) and data architecture. They must balance investing in initiatives with short-term payoffs without neglecting longer-term plays that enable future expansion without rebuilding. Understanding where ROI comes from, even if indirect or delayed, is essential to prioritizing TOM components effectively.

> *Many FIs focus on use cases that fix individual pain points. While these use cases will provide short-term relief, they will not address broader systemic issues. Or worse, they may introduce new problems."*
>
> **Tracy Moore,**
> Director of Thought Leadership, Fenergo

Without Clean Data, Your TOM Efforts Will Stall

Data isn't just part of TOM—it's the engine behind it. Without clean, unified data, CLM efforts will fall short. Why? Because the institution lacks a complete customer view to uncover cross-sell opportunities—and risks annoying clients with repeated data requests due to fragmented systems.

If data and data infrastructure aren't central to transformation efforts, transformation potential will be undermined. For large firms, consolidating redundant systems into a unified data solution unlocks clearer insights and operational efficiency—transforming data into a trusted asset, not a liability. Siloed data isn't just inefficient, it's a missed opportunity to boost revenue, reduce compliance burden, and improve client experience.

To prevent value erosion, FIs must challenge conventional thinking.

Treat data as a strategic asset, not just a tech problem. Technology can't fix governance, lineage, or trust on its own. The best data strategies aim to understand:

- What data is needed to make decisions
- Where trusted data sources exist – whether this is internal or third-party
- How data quality, lineage, and governance will be managed over time

With the right master data management (MDM) strategy, FIs can move faster on compliance, improve accuracy, and minimize their dependence on client or registry data.

Here is just one example of how data can negatively impact CLM performance. Fenergo's 2024 Know Your Customer and Onboarding Trends survey highlights a critical challenge: 67% of banks have lost clients, and 48% report client abandonment due to slow or inefficient onboarding.[1] Bad data leads to unnecessary customer requests and extended onboarding times. Data won't fix everything, but it can address many pain points.

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The biggest roadblock to rolling out a target operating model? It's almost always the data. Without a baseline level of data hygiene and governance, the timeline can easily shift from weeks to months. FIs hungry to realize time-to-value must have their data organized and ready to activate."

Brian Cahill,
Head of Global Advisory Services, Fenergo

PwC Perspective

Getting to a well-functioning target state starts with more than just mapping workflows. It requires a grounded understanding of where current-state risks sit, particularly in governance, data, and regulatory oversight. These are often the areas that stall TOM delivery and create gaps in AML and financial crime controls.

In our experience, the firms that succeed begin with a structured, phased plan that not only sequences delivery but embeds accountability and control from day one. This includes defining who owns which risks, how data integrity will be maintained, and how decision-making will be evidenced throughout the lifecycle. Senior managers, particularly those with SMF16/17 responsibilities, need access to timely, accurate management information to discharge their duties and respond confidently to regulatory challenge.

Governance must remain agile in response to a financial crime landscape that is constantly evolving. Rigid or overly informal governance frameworks can quickly become outdated. Without proactive oversight, TOMs risk reverting to manual workarounds, inconsistent practices, and high exception volumes.

Finally, no TOM can scale without clean, connected, and trusted data. A robust data strategy, underpinned by master data management and aligned to business priorities, is essential to enabling risk-driven decisions, reducing client friction, and accelerating time to value. With the right foundations in place, institutions can scale confidently, adapt quickly, and build resilience into their AML and CLM operations.

[1] https://resources.fenergo.com/reports/kyc-trends-2024-banking

Execution

Enterprise-wide change is challenging and most FIs know this. Even with a clear TOM, many FIs opt to bring in an advisor—not for playbooks, but for traction. The right advisor helps connect strategy to execution and outcomes. They've seen similar programs succeed or stall, and can help teams navigate trade-offs, prioritize high impact use cases, and avoid common pitfalls.

The right advisors bring platform expertise, transformation experience, and a critical outside-in perspective. More importantly, they can also help FIs de-risk and accelerate the journey.

In the execution phase, teams may be tempted to cut corners in their rush to deliver new features. This can lead to de-scoping which is never a good idea. While de-scoping features may accelerate short-term timelines, it typically comes at the cost of destroying long-term value. More importantly, de-scoping decisions are typically made in a vacuum by an individual team – meaning that downstream impact may or may not be felt immediately.

PwC Perspective

Even the best-designed operating models can fail if execution lacks discipline, control, and accountability. This is where many programs lose momentum. Delivery decisions are often made in isolation, with speed prioritized over sustainability. In the context of financial crime, this can result in fragmented controls, inconsistent outcomes, and rework that increases both cost and regulatory risk.

> *PwC's UK AML Benchmarking Survey found that 66 percent of firms have updated their Target Operating Model within the past year, with asset managers leading the way."*
>
> **Adrienne Lerro,**
> Partner, Financial Crimes Unit, PwC US

Their focus reflects growing pressure from regulators and heightened ESG expectations. However, almost 10 percent of firms have never updated their TOM, signaling a potential vulnerability. The findings also suggest that while TOM redesign is underway, execution often remains the weakest link[2].

De-scoping key features or bypassing controls to accelerate delivery may offer short-term benefits but often compromises long-term value. The most effective organizations treat TOM delivery as a control-led activity. They establish strong execution governance, assign accountability for outcomes, and ensure delivery remains tightly aligned to both business goals and regulatory expectations.

[2] www.pwc.co.uk/financial-services/assets/pdf/emea-aml-survey-2024.html.pdf

Ongoing Maintenance

The adage "measure twice, cut once" is so true with setting the right performance and measurement framework. Without setting goalposts, the FI cannot understand the impact of initiatives in terms of cost, process efficiency, or opportunity. Applying Key Performance Indicators against performance data is the only way to determine whether the execution is succeeding and where to optimize.

A successful TOM is dynamic and continues to adapt to business and market needs long after the core implementation – they are living frameworks. Teams should revisit and refine the TOM as regulations, customer expectations, and business priorities shift. A completed TOM doesn't guarantee a competitive edge. Rivals and disruptors are already moving to outpace and out serve.

PwC Perspective

Speed alone does not define success. Fast onboarding, if not underpinned by quality, can introduce control weaknesses, increase rework, and damage client trust. High-performing FIs recognize that a well-designed operating model must measure both efficiency and effectiveness. This includes tracking right-first-time rates, error volumes, rework levels, and other indicators that signal process issues before they escalate.

Sustained AML performance depends on data integrity, consistent execution of controls, and the ability to respond to emerging risks. Effective TOMs embed continuous improvement from the outset, supported by clear accountability, robust management information, and structured root-cause analysis.

As the financial crime regulatory environment continues to shift, governance frameworks must remain responsive. Operating models that are too rigid struggle to adapt to regulatory change, while informal structures often lead to regression into manual workarounds and elevated exception volumes. A well-governed TOM strikes the balance between structure and agility, enabling institutions to adjust without compromising control integrity.

A mature TOM evolves in step with regulatory expectations, operational feedback, and business priorities. Managed effectively, it keeps compliance proactive rather than reactive, and ensures the client lifecycle is delivered with confidence, consistency, and regulatory assurance.

Conclusion: The Cost of Standing Still

A flawed TOM isn't just an operational misstep—it's a strategic liability. Without cross-functional alignment, thoughtful phasing, and a strong data backbone, even the most promising initiatives lose momentum. FIs must stop treating the TOM as a tech refresh and start treating it as the strategic engine that determines client experience, compliance agility, and speed to value. Reexamining it now isn't optional, it's essential.

In a world of shifting regulations, rising client expectations, and ongoing digital disruption, the cost of getting your TOM wrong is steep. With the right guidance, FIs can design models that deliver real value—today and into the future.

A well-defined TOM is no longer a theoretical concept or a back-office efficiency play. It is a regulatory expectation, a strategic enabler, and a critical foundation for effective AML and financial crime risk management. In our work with global FIs, we continue to see that the most resilient TOMs are those that embed governance, quality, and end-to-end control from the outset. These models deliver consistency across jurisdictions, support defensible audit trails, and equip senior managers with the oversight and information required to meet their prescribed responsibilities under frameworks such as SMCR (Senior Managers and Certification Regime).

FIs can no longer afford to treat AML controls as bolt-ons or late-stage compliance activities. According to PwC's Global CEO survey, only 7% of senior leaders currently consider themselves to be leading in compliance, yet 38% aim to be leading within the next three years[3]. Therefore, the ideal, strong TOM must be built to operationalize regulatory expectations, embedding ownership, data integrity, and client due diligence across the lifecycle. As regulatory demands grow and client expectations rise, the TOM must function as a dynamic framework that adapts continuously, assures compliance, and supports business performance.

Crucially, a modern TOM presents an opportunity to redefine how Client Lifecycle Management is perceived and delivered. When designed to balance efficiency, effectiveness, and client experience, it can shift CLM from being seen as an administrative burden to a strategic asset. By improving data quality and transparency, empowering the front office with richer insights, and reducing friction in onboarding, the TOM can unlock new value. This helps build stronger client relationships and opens up opportunities for commercial growth.

The cost of standing still is high. Institutions that fail to modernize their TOM will face growing regulatory scrutiny, reputational risk, and operational inefficiencies. Those that succeed will be the ones who view the TOM not as a one-time transformation, but as a continuous capability that enables confident, compliant, and client-focused growth.

Starting on your transformation journey or just need a fresh set of eyes? Fenergo and PwC can help you at any stage. We help organizations of all sizes maximize the impact of their Client Lifecycle Management systems to enhance customer experience, streamline operations, and drive profitable growth.

[3] *www.pwc.com/gx/en/issues/risk-regulation/global-compliance-survey.html*

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About Fenergo

Fenergo is a global leader in AI-powered solutions for client lifecycle management (CLM), specializing in know your customer (KYC) and anti-money laundering (AML) compliance transformation for financial institutions.

By leveraging agentic AI and automation to bolster CLM, Fenergo empowers organizations to streamline operations, reduce costs, automate compliance processes and enhance client experience across over 120 jurisdictions. Its FinCrime Operating System, powered by Agentic AI, enables firms to supercharge efficiency gains, while maintaining governance and control in line with global AI regulations. For more information about Fenergo's market leading AI-powered KYC/AML solutions, visit www.fenergo.com.

About PwC

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 149 countries with more than 370,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com

Our Financial Crime team has the expertise for a positive change. Our ultimate goal is to lead the charge in combating financial crime, envisioning a future where businesses thrive, individuals prosper, and communities flourish. By deeply understanding the human impact of financial crime, we can actively shape the ongoing battle against it to lead the charge.

No matter how big or small, we work in partnership with our clients to undertake: Financial Crime health checks; provide digital innovative solutions for responding to Financial Crime incidents, remediating past deficiencies, developing and enhancing frameworks and operating models, as well as; optimising detection capabilities.

Our managed services for KYC and AML deliver an end-to-end, plug-and-play solution for our clients. We pride ourselves on our technological expertise including both in-house technologies and the tech alliances. By combining extensive expertise with industry leading technology, high-quality data, and unique mapping intelligence, we create user-friendly solutions tailored to diverse industries and jurisdictions.