



Transforming organizations with Artificial Intelligence Mastering an AI Operating Model

Getting a leg up on the AI competition requires the substantial transformation facilitated by Deloitte's tried-and-tested AI Target Operating Model (AI TOM) methodology. This framework, coupled with a discerning strategic approach, gives busi-

nesses a head start on the competition in aligning their AI capabilities with corporate objectives. This ensures maximum value and progress in a smooth transition to AI-driven operations. ➔



I. Staying ahead of the wave: The imperative of an AI Target Operating Model

Artificial intelligence (AI) will have a major impact on the business landscape, similar to the digital revolution witnessed in recent decades. Just as digital technology paved the way for groundbreaking business models and digital behemoths, significantly disrupting established markets and making it difficult for industry incumbents to adapt without a robust digital operating model, AI suggests a similar paradigm shift, particularly with the introduction of Generative AI (GenAI). GenAI has the potential to revolutionize business processes, customer experiences, and entire sectors.

Merely experimenting with AI or GenAI, as evidenced by proof-of-concept projects and isolated use cases, will not suffice to produce the anticipated increase in efficiency or competitive edge. Yet 94% of worldwide business leaders concur that AI is indispensable for success over the next five years (87% of German leaders), even though outcomes appear to be falling behind as organizations increasingly use AI. Forty-six percent of organizations on a global level struggle with integrating AI into everyday operations and workflows (53% in Germany), one of the most frequently cited hurdles ([State of AI in the Enterprise survey, Deloitte \(2022\)](#)). The successful adoption of AI requires organizations across all industries to undergo a complete transformation akin to the digital transformations of past decades.

AI, and in particular GenAI, is rapidly transforming from a niche limited to tech enthusiasts and resource-rich businesses to a public utility driven by users and facilitated by tools like ChatGPT. This noteworthy transition is motivating employees across sectors to eagerly adopt AI and drive its innovative applications at an astonishing pace. The democratization of AI has significantly changed the dynamics of technological progress within organizations. Users and employees are now the primary drivers of advancement. If organizations fail to provide the technology, they risk their employees resorting to publicly available AI tools and inadvertently feeding potentially sensitive company data to train public models ([The Generative AI Dossier, Deloitte \(2023\)](#)).

Meeting the rise in employee demand for AI tools calls for a major shift in perspective. AI is not partial to a single function within an organization; its relevance extends across all business functions, including sales, customer service, and marketing, impacting every customer interaction. The demand for embracing AI is as much internal as it is external, extending from customers. Companies must look beyond isolated AI applications.

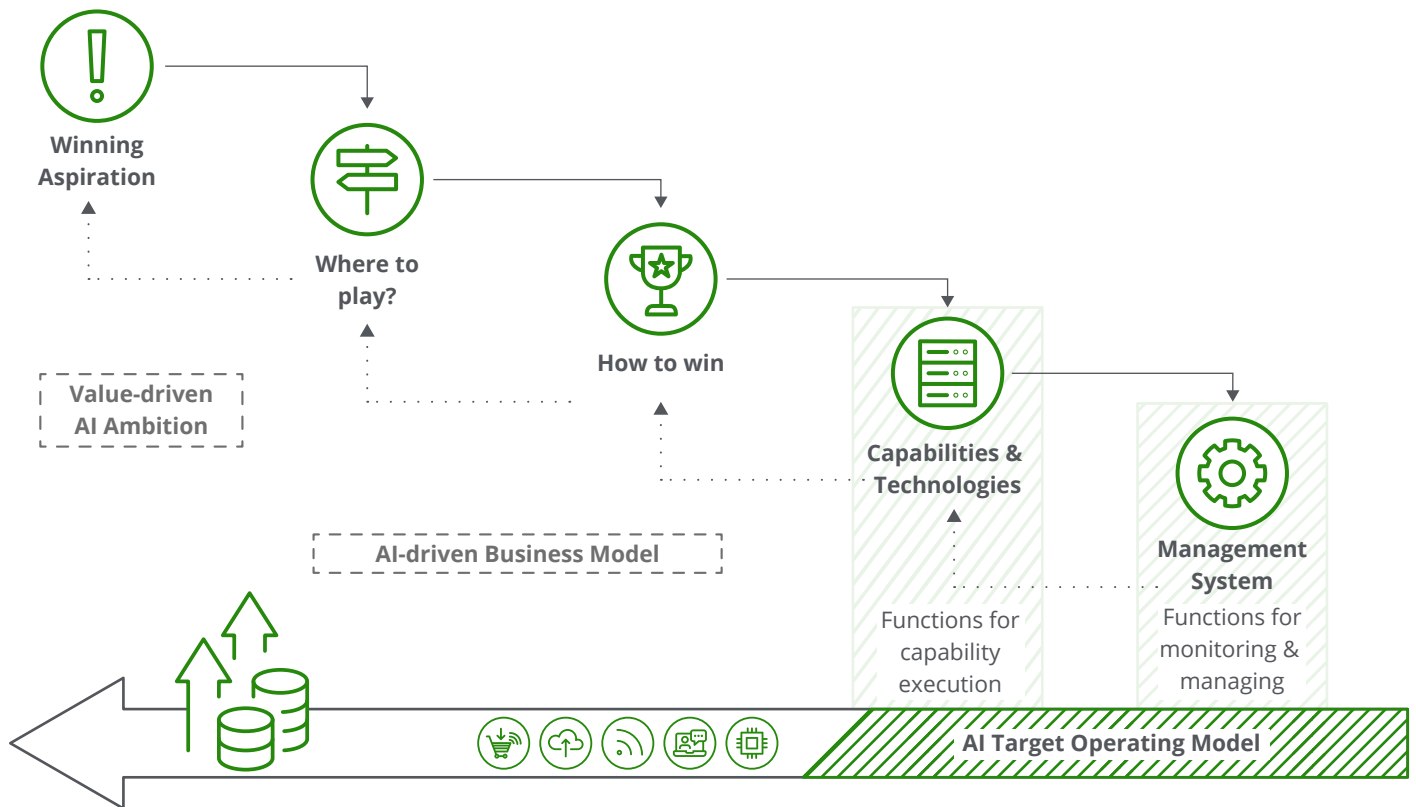
AI must be incorporated business-wide under a dedicated strategy, underlining the critical need for a comprehensive AI Target Operating Model (AI TOM) that defines the interplay between an organization's capability to create value with AI and its corporate strategy. The collective pace of innovation, awareness, business adoption, and economic impact signals an "iPhone moment for AI", propelling the promise of AI into transformative outcomes in which businesses must leverage the technology to stay competitive in the market.



**II. Mastering AI integration:
Bridging AI capabilities aligned with
corporate strategy for sustainable
business value**

An AI TOM is more than just a desirable asset on this journey – it is a necessity for unlocking the full potential of AI in an organization. It is a vital enabler across all stages of a business, from bolstering operational efficiencies to creating sustainable competitive advantages and driving profit, and must thus be appropriately aligned with overarching corporate strategy, as pictured below.

Fig. 1 – The Strategic Choice Cascade – Embedding an AI Target Operating Model into your strategy



Source: Deloitte

The incorporation of an AI Operating Model into corporate strategy is the linchpin for unlocking AI's full potential throughout an organization. Imagine a shift from sporadic AI projects to a cohesive strategy that aligns AI capabilities with overarching business objectives. Deloitte's Strategic Choice Cascade serves as the roadmap for synchronizing the AI TOM with the strategic landscape.

It begins by establishing an AI Aspiration, emphasizing a move towards a value-focused approach over project-centric endeavors. Pinpointing 'Where to Play' identifies areas where AI can profoundly impact operations, while 'How to Win' charts the course for extracting maximum value from these advancements.

Success, however, doesn't rely on technology alone; it also involves seamless integration of AI into company culture and objectives. This fusion of skills, technology, and strategic alignment lays the groundwork for propelling the organization forward, using AI as a catalyst for innovation and growth. The AI TOM isn't just a structure; it is the keystone for a transformative journey towards operational excellence and sustained success.



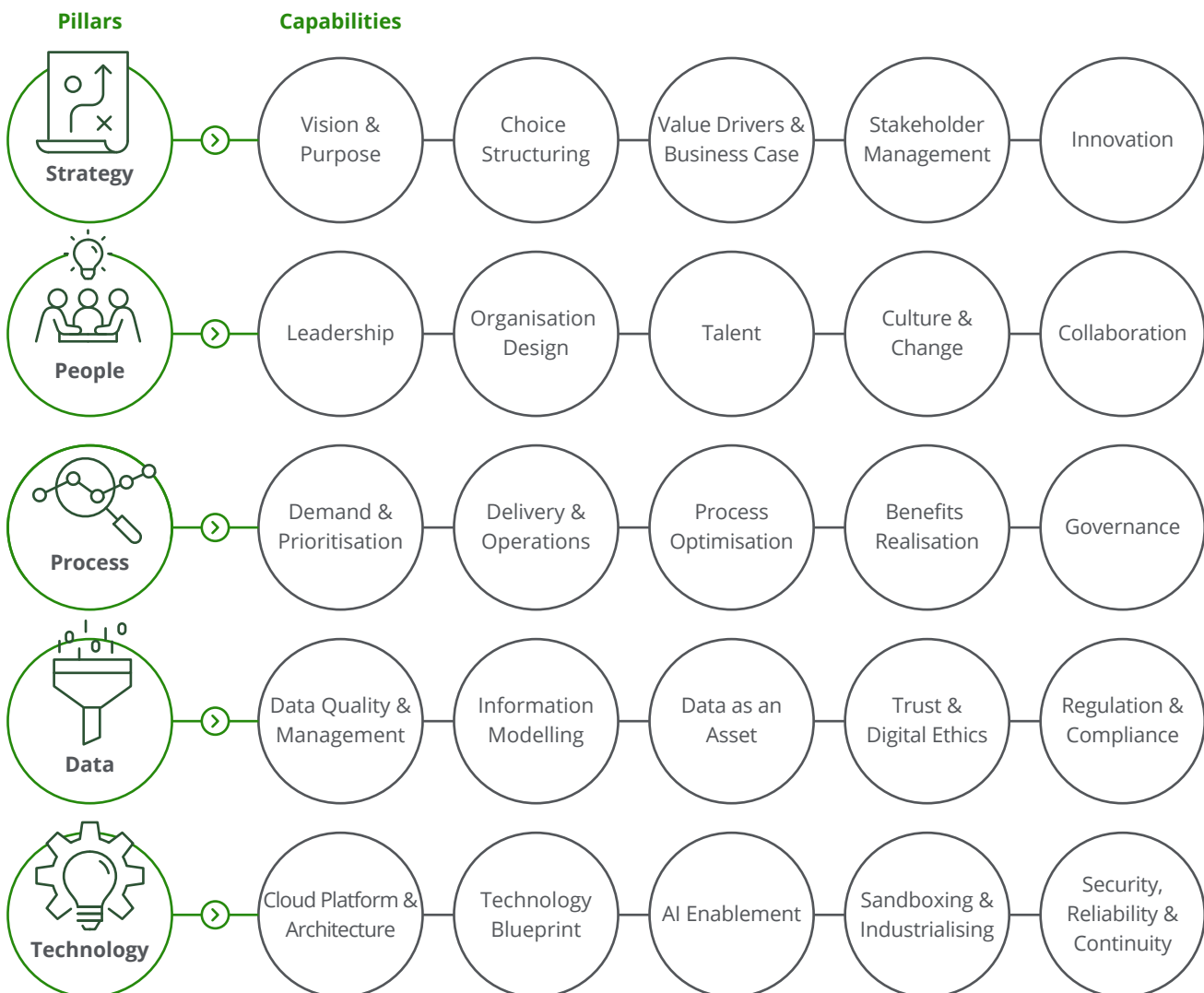


III. Success by Deloitte
Five pillars and the capabilities for building an AI TOM

Beyond aligning the AI TOM with corporate strategy, organizations need to adopt a more methodical and intentional approach. This involves taking the time to delve deeper into specifics, effectively outlining and detailing each cornerstone of the AI TOM based on the organization's unique needs and objectives.

To facilitate this more targeted and in-depth process, Deloitte's AI Target Operating Model (TOM) framework comes into play. It serves as a comprehensive blueprint for the task ahead, built on the back of five fundamental pillars and the capabilities that help detail the AI TOM, each requiring careful consideration and customization (as illustrated below).

Fig. 2 – AI Target Operating Model (TOM) framework



Source: Deloitte

1. Strategy – The path to value

It is crucial to align the AI TOM with corporate objectives by guiding decisions on where value should be realized (in which business functions), the benchmarking costs to implement, the value of return, and the route best suited to the organization's needs, whether greenfield or brownfield approach. Strategy in the sense of an AI TOM specifically entails choice structuring and specific identification of value drivers, as well as calculation of business cases, provided that the overarching alignment with corporate strategy has been completed in line with the strategic choice cascade (see illustration 1).

2. People – Get your workforce ready

To succeed in transforming towards an AI TOM, organizations must prepare their workforce. This involves identifying, training, and retaining talent capable of not just handling AI technologies, but leveraging it for business value. This fusion requires adjustments in staff and organizational design, and potentially in the human resource strategy. As an initial step, organizations should pinpoint the skill sets required for delivering AI solutions, and hire experts like machine learning engineers, cloud AI engineers, ML Ops, and prompt engineers, while also exploring collaboration models to integrate external expertise and solutions.

3. Process – Controls are key

An AI TOM provides the opportunity to foster process re-imagining by streamlining functions and refining processes to effectively integrate AI capabilities and further optimize operational efficiencies. The deployment of AI should not merely stitch it into the existing process fabric, but rather weave a new process structure that puts AI at the core. Establishing robust controls is key to process re-imagining. Risk and regulation are strategic levers, not just 'box ticking' components - they contribute to realizing maximum value in minimum time and ensure the deployment of trustworthy and ethical AI.

4. Data – Get started and realize value

Navigating the AI journey requires recognizing data as a formidable asset. Data strategy should provide integrated, accessible, high-quality data that enhances decision-making. Implementing an AI TOM requires both strategic use and robust management of data to ensure it is well-managed and accessible, as well as safe, secure, and compliant with regulatory requirements. The challenge lies not just in accumulating vast amounts of data but in maintaining its integrity and accuracy, and ensuring it can be readily used for AI-driven insights to generate value.

5. Technology – Scale with intention

The technology strategy within an AI TOM encapsulates more than just selection of the right AI technologies. It implies investing in a robust and secure infrastructure that is scalable and agile. The choice of technology should account for the interoperability of systems and support the rapid changes and updates that are par for the course in AI. Collaboration with dependable technology providers and investment in versatile platforms like cloud-based services can be crucial to supporting and enabling scalable AI implementation. Ultimately, the technological framework should cater to the unique needs of the organization and be flexible enough to adapt to the rapidly evolving AI landscape.

Without these five building blocks working in harmony, building an AI Target Operating Model and effectively scaling AI becomes a challenging endeavor. The journey to an effective AI Operating Model demands a comprehensive end-to-end transformational approach.



IV. Glimpse of tomorrow

No-regret moves to start the AI transformation journey

The transformation, based on our experience, to building an AI TOM and becoming an AI-driven organization, is to establish a dedicated AI Transformation Nerve center (TNC) as a key catalyst for driving parallel business- and technology-transformation

activity, to integrate decision-makers and stakeholders into aligning the AI TOM with corporate strategy, and to implement the five pillars previously outlined.

This journey relies on five key steps:



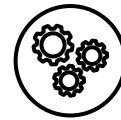
1. Set-up and strategy: Allow yourself to think big!

Establish an AI Transformation Center to orchestrate and govern AI initiatives, while developing an effective AI strategy that aligns with your overall business goals and strategy choice cascading; assemble experts in strategy, implementation, and AI management to guide the transformation journey.



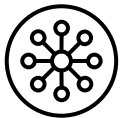
2. Visionary blueprint for stakeholder engagement

Focus on identifying and engaging crucial internal and external stakeholders to influence the organization's AI journey. Seamless communication and collaboration with these stakeholders form the foundation for a streamlined transformation process.



3. Structural foundation for the AI operating model

Validate and confirm the structural AI operating model framework for your company, ensuring it encompasses all necessary capabilities, roles, and functions. This step aligns closely with the organization's overarching objectives in AI adoption.



4. Commencement and alignment

Mark the official initiation of activities within the AI Transformation Center. This launch kick starts the AI journey, disseminating its vision and objectives throughout the organization, and aligns every unit with the broader AI strategy.



5. Formation of strategic steering committee

Establish a dedicated steering committee responsible for providing strategic guidance, making key decisions, and overseeing successful AI transformation initiatives. This committee ensures alignment with the organization's strategic objectives.

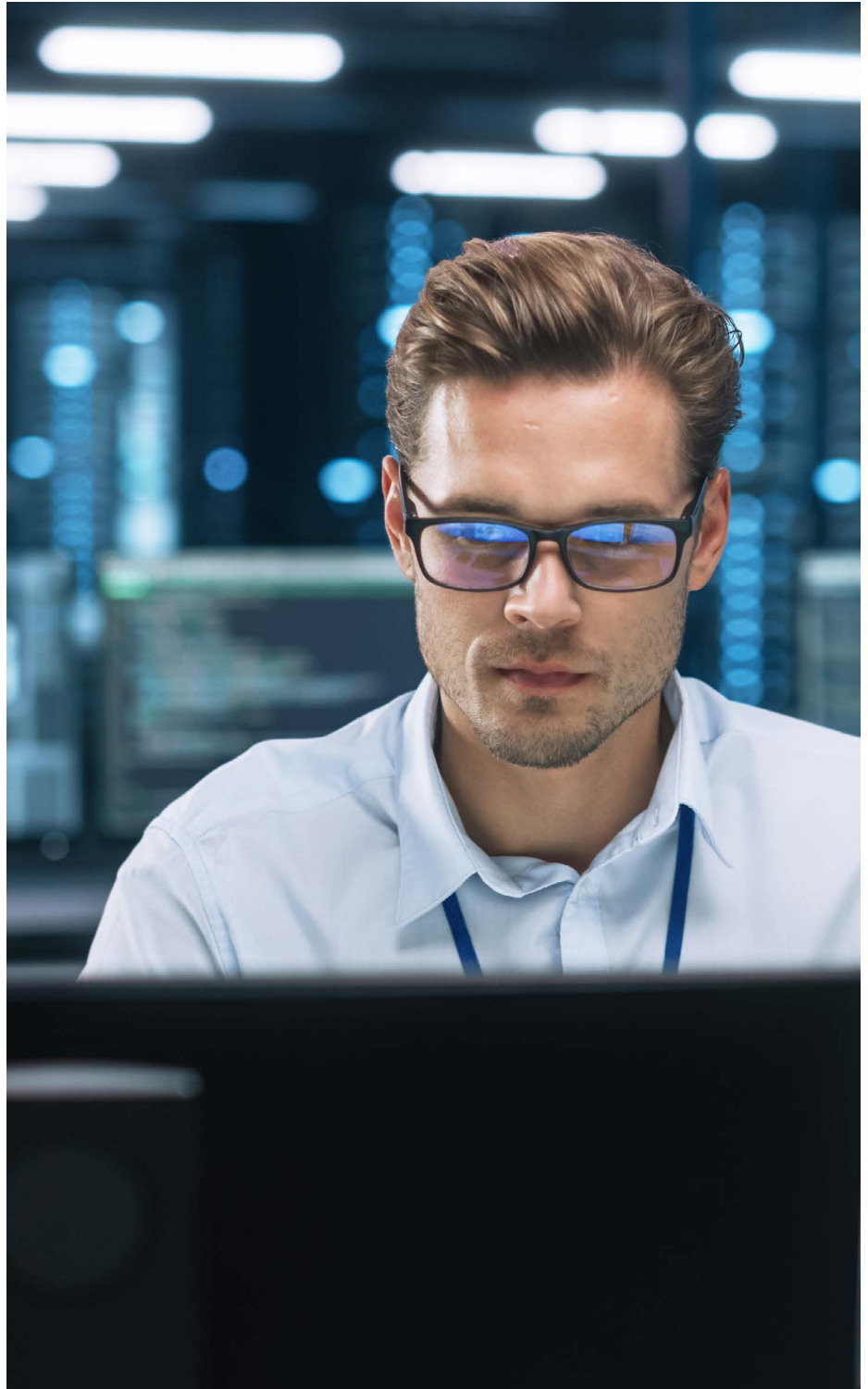


V. What to take home: Allow yourself to think big!

Ensuring a successful transition into AI-driven operations in our rapidly evolving digital world calls for strategic, bold leadership. Here are three pivotal steps every manager can start with:

- 1. Be critical of the status quo:** Understand the strengths and weaknesses of existing business operations, and how AI could augment those processes.
- 2. Orchestrate tech and talent:** Prioritize the development of skills, tools, and infrastructure capable of implementing and maximizing the benefits AI brings.
- 3. Align innovation with ethical considerations:** Enforce robust governance controls while harnessing AI capabilities to ensure ethical and trustworthy AI deployment.

As organizations head into this revolutionary era, where AI is not merely an option but a necessity, these strategic considerations will navigate the course towards a future of unparalleled efficiency and sustained success. The journey towards AI-redefined business has begun; prepare for it now!



Further Readings

Deloitte's State of AI in the Enterprise 2022: A comprehensive study based on a survey of 2,620 global business leaders and 150 interviews in Germany. This [report](#) takes a cross-industry look at AI deployment and the outcomes achieved to reveal key actions every organization should be taking to gain widespread value from AI. (Deloitte AI Institute, Deloitte Center for Integrated Research)

Transformation towards a Data-Driven Business: Deloitte has developed a Data Transformation Map framework to support enterprises in becoming truly data-driven, in managing the complexity of the transformation, and in generating value from data. A set of seven whitepapers outlining the main pillars of a data-driven business. (Deloitte AI & Data Division)

Generative AI for Enterprises: A report examining the potential benefits and limitations of Generative AI, it introduces a method for selecting Generative AI use cases, as well as some further steps for business leaders in the Age of With™. (Deloitte AI Institute)

The Generative AI Dossier: A report exploring generative AI use cases across six major industry verticals, detailing 60 of the most compelling use cases for businesses today and serving as a roadmap for executives looking to deploy high-impact Generative AI solutions at scale. (Deloitte AI Institute)



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