

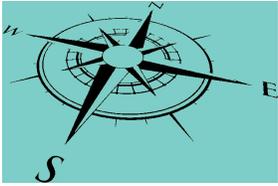
Overdue: A new organizing model for IT

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MIT Sloan (MITS)

Description:

The mission of the MIT Sloan School of Management is to develop principled, innovative leaders who improve the world and to generate ideas that advance management practice.

Stakeholder(s):

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Article author

Joe Peppard :

principal research scientist at the MIT Sloan Center for Information Systems Research — argues that IT as a wholly separate functional unit should cease to exist. A separate IT unit made sense when IT's role was primarily relegated to supporting back-office operations by automating routine tasks and processes and keeping systems up and running, Peppard said. That organizing model is ill-equipped to support technology-driven transformation at the speed demanded by businesses, a case Peppard argues ...

Companies :

"When companies feel they have a problem with IT, the route they typically follow is to restructure IT, replace the CIO with someone with new ideas, maybe appoint digital tsars, or perhaps even look to a third party to run IT for them," Peppard said. "But that's a bit like rearranging the deck chairs on the Titanic," he said. "The challenge is not to design a more digitally-savvy IT unit; the question is how to organize the entire firm for success with technology. That's fundamentally different."

IT Departments :

Familiar models no longer work — The dominant organizing model for IT today is what Peppard calls the "partnership model," where companies create a distinct unit staffed with the people who have the knowledge and expertise required to build, run, and maintain IT systems; deliver IT services; and manage relationships with third-party service providers. This is the IT model that rings familiar: A unit with its own internal management structure and budget, responsible for making sure there is proper access to skills and knowledge, even if it's outside the boundaries of the functional organization.

IT Liaisons :

In this scenario, IT liaisons cultivate key relationships with different areas of the business in order to better understand needs. A mature partnership model also incorporates governance structures to engage non-IT executives in helping to set strategic objectives and prioritize technology investments.

Leadership Teams :

The challenge for any leadership team, Peppard said, is to figure out how to harness the capabilities of technology, "and

this means they must grapple with opportunities to leverage information."

Manufacturers :

To be sure, what works for a mobile-only bank will differ from a bank with a branch network and call center, Peppard said. Similarly, a manufacturing company offering digitized products, a postal and parcel delivery service, and a retailer with an online presence will all have different variants.

Delivery Services

Retailers

CIOs :

It's not a short journey, and changes won't happen immediately, but over time companies will get serious about changing how they harness the capabilities of technology, Peppard predicted. And while CIOs may feel intimidated by the prospect of their traditional domain being up for grabs, Peppard said he sees more of an upside than a downside for the right technology leaders. "There has never been a better time to be a good CIO — this is a great opportunity," he maintained. "That said, it's never been a worse time to be an average CIO."

Vision

Pervasive innovation

Mission

To harness the capabilities of technology

Values

Innovation: ... companies that operate under [the traditional] model often struggle with digital innovation, said Peppard. It's not that innovation doesn't occur, but that it tends to be haphazard, he said. Such firms often fail to generate expected returns on investment in IT because the organizational changes needed for success are outside the purview of IT. Moreover, when IT staff talk about "customers," they are invariably referring to internal employees.

Relationships: The partnership model ultimately contributes to the often-strained relationship between the IT and business camps, a dynamic that impedes companies' ability to engage digitally with customers and ecosystem partners; develop new digital business models; drive decision-making with data, analytics, and AI; and build a connected enterprise.

Connections

Capabilities: The problem is the flawed way in which companies organize for success with technology today. "The majority are still organizing in a way that emphasizes the management of technology rather than leveraging the capabilities of technology," Peppard said. "As companies provision more and more of their technological capability from the cloud, they actually don't have any 'technology' to manage — companies like Google, Amazon, and Microsoft do that."

Organizations

Weave IT directly into the fabric of organizations.

Stakeholder(s)

Companies :

As companies look to become more agile, they are introducing new ways of working, including creating multidisciplinary teams comprised of people with diverse knowledge and experiences in engineering, marketing, data science, customer experience, and compliance. At the same time, organizations need to embrace new organizing constructs.

Banks :

He cited the case of one bank that organized around the concept of platforms. These platforms bring together people, funding, technology assets, and apps to deliver a customer service or product. They are co-developed and maintained by the business and its partners working together on joint goals, strategy, and execution. This fuses working relationships across internal teams and enables faster decision-making, greater visibility, and shared ownership, Peppard said. Under such a scenario, accountabilities also need to change (the bank considers each platform as a mini-business); metrics need to change; and the mechanisms of budgeting and funding require re-evaluation. In addition, under the pervasive model, governance becomes central around business architecture, data, and cybersecurity, Peppard said.

A “pervasive” model of organization ... Based on his research, Peppard proposes a new organizing model, the pervasive model, that envisions IT not as a distinct and separate unit, but woven directly into the fabric of the organization. The knowledge and skills required to leverage and use information are distributed across an enterprise rather than housed in a dedicated unit.

1. Technology & Data

Build businesses on technology and data.

Stakeholder(s):

Starling Bank :

The pervasive model at work — Another financial institution, Starling Bank, is a prime example of a company embracing a pervasive organizing model for technology. Founded in the UK in 2014 as a “born in the cloud” retail bank architected on proprietary technology, Starling had the luxury of starting from scratch. With less than 500 employees, Starling eschewed the traditional banking model in favor of an entity built on technology and data. Concurrently, the bank embraced an organizing model that meshed traditional business and technical roles in lieu of separate units focused on specific disciplines or expertise. Without a formal IT department, decisions about technology, data, product roadmap, and investment prioritization are made by a leadership team that has deep technological knowledge but also recognizes the bank’s value as an information business. Starling has also created distance from traditional IT organizing principles in other ways.

2. Functions

Organize around business functions.

Organizing around business functions such as business banking, payments, and a banking marketplace that offers third-party apps and services; all are entrepreneurial in nature and target specific outcomes.

3. Goals & Teams

Institute agile teams empowered to do whatever is necessary to achieve goals.

Stakeholder(s):

Teams :

There is no one way of working mandated — rather, teams are self-organizing and establish their own version of agile methodologies and feedback loops as long as they support continuous delivery.

3.1. Self-Organization

Empower teams to self-organize.

3.2. Feedback & Agility

Empower teams to establish their own agile methodologies and feedback loops.

3.3. Delivery

Ensure that teams support continuous delivery.

4. Metrics

Be metrics-driven to gauge results and drive momentum.

5. Governance

Adopt a principles-based governance framework that creates a coordinated approach to topics like cybersecurity, architecture, and coding.

6. Culture

Foster a culture that tolerates mistakes and encourages experimentation, moving quickly, but carefully.

7. Visibility

Provide visibility into work in progress via cloud-based collaboration tools and services.

Administrative Information

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