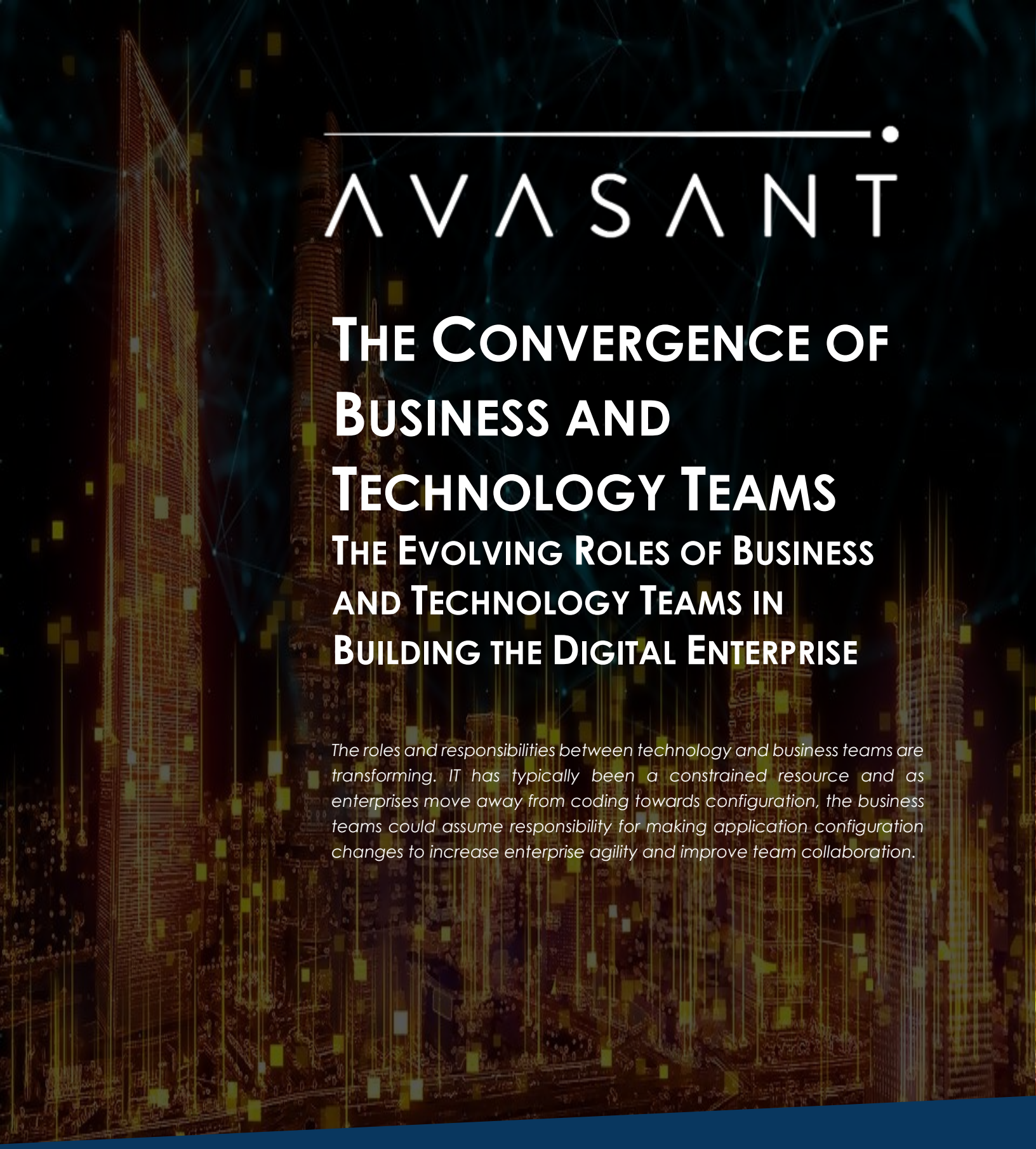

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The Convergence of Business and Technology Teams

The Evolving Roles of Business and Technology Teams in Building the Digital Enterprise

The roles and responsibilities between technology and business teams are transforming. IT has typically been a constrained resource and as enterprises move away from coding towards configuration, the business teams could assume responsibility for making application configuration changes to increase enterprise agility and improve team collaboration.

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INTRODUCTION

Technology innovation creates new opportunities for organizations to evolve and improve their operating models. With big data, AI, machine learning, robotics process automation, and cloud computing, enterprises are able to leverage technologies that were previously cost prohibitive, especially for small to mid-size enterprises. Progressive enterprises are adopting "cloud first" and "no coding, just configuration" strategies to build new business capabilities.

Leveraging key advancements in technology to support key business processes and units is now an integral part of the business innovation process.

Changing the legacy operating models by thinking about technology and the business/IT relationship in a new light, will increase enterprise agility. Implementing the new technologies and their new delivery models, correctly, will increase speed to market, provide faster return on investment, and reduce capital requirements. To fully take advantage of the capabilities of the new technologies, it is imperative that the business and technology teams are prepared to reconsider their legacy roles and are motivated to evolve their responsibilities.

TRADITIONAL ROLES OF IT AND BUSINESS TEAMS

"My core competency is operating at the CIO/CTO level to transform underperforming technology teams to increase the value delivered to the enterprise. I have found that there has historically been a tension between IT and business teams that ranges from collaborative to destructive."

In my experience, when an IT team is under performing, liability typically rests 50% with the IT team and 50% with the business and how they treat and interact with the IT team. In my opinion, transforming the IT team to increase performance is easier than influencing how the business thinks about technology and

the IT team. Business units tend to think in different timeframes than IT who typically follows Information Technology Infrastructure Library (ITIL) processes which business units view as slowing down progress. A fast moving business unit may be willing to bypass IT processes to increase the delivery speed of a project while unknowingly increasing enterprise risk. Optimizing the enterprise with mature operating processes and enterprise architecture can sub-optimize business units. Optimizing business units may sub-optimize the enterprise. Getting the correct balance has long been IT's challenge.

For years, the industry has debated centralized or decentralized IT operating models. As business units become frustrated they decentralize IT. As the costs become high with redundant applications, weak security, and lack of unified architectures they centralize IT. Some organizations have implemented a federated structure where enterprise technology functions are centralized and business unit technology functions are decentralized. This is a more complex organization structure to manage and coordinate but has the opportunity to better optimize both the enterprise and the business units.

In our technology dependent economy, many business projects require new or modified technology. IT has traditionally been a constrained resource with major and minor changes highly dependent on the technology teams performing coding on legacy systems, home-grown software, and custom interfaces.

- In **low maturity enterprises** with weak program management capabilities, IT organizations tend to overpromise, under deliver, and overwork their teams. This leads to the business distrusting IT and their ability to deliver on time and on budget, resulting in shadow IT projects which bypass IT. IT employees become frustrated with the IT/business dynamic, high work load, and inability to have enough time to perform quality work. This culture leads to high turnover and low employee job satisfaction. Maintenance is deferred, systems become antiquated, outage frequency increases, new systems are incorrectly configured, and security degrades.

- In **mature enterprises** with robust program management, significant planning is spent matching IT demand with capacity and prioritizing a workload that typically exceeds IT's annual capacity by 200 to 300%.

  Maintenance of legacy systems consumes 70% of total available capacity managing monolithic software and the customized interfaces that weave together disparate systems. At best this leaves roughly 30% of total capacity for projects that grow or transform the business.

  When the business wants to develop a new process or business capability, the IT effort is evaluated with respect to the entire portfolio. The process is a "zero sum game;" if new work is approved through portfolio governance an existing project in the portfolio has to be delayed or additional capacity procured. Business teams become frustrated when their projects are cancelled or receive a low priority and perceive IT as having too much process that negatively impacts their ability to deliver new business capabilities.

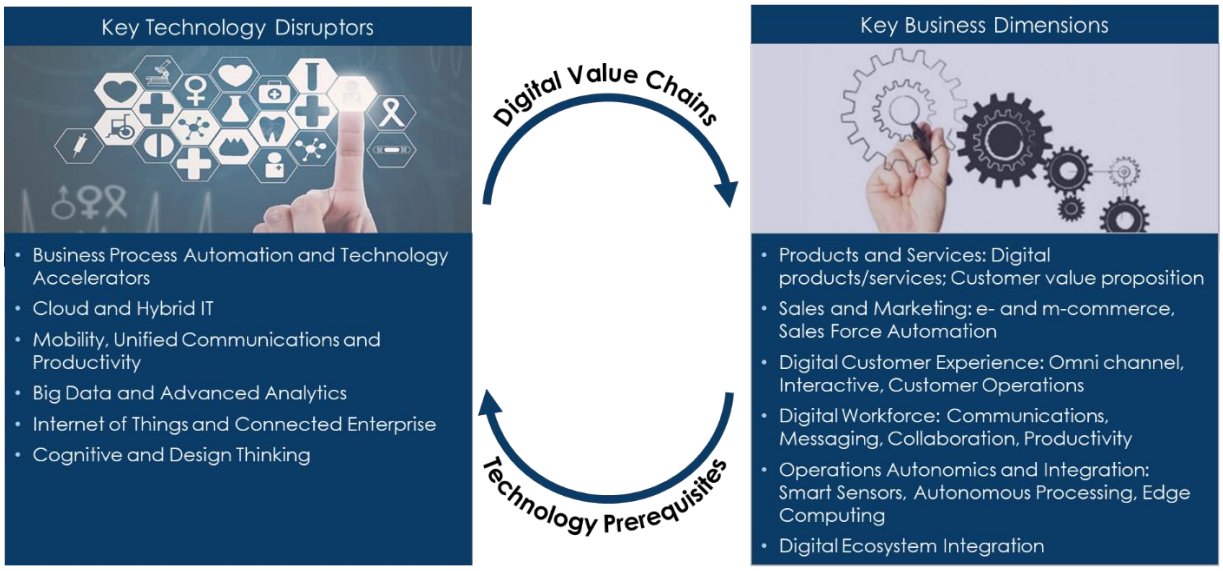
Because the cost of capital has traditionally been higher than the cost of labor, as demonstrated by enterprises' inability to fund the large IT backlog, many processes have remained manual. Business units

further reduce the cost of labor by moving manual processes to lower cost labor locations. IT has strived to increase its capacity to take on more projects by outsourcing services to lower cost labor markets. Manual processes in both the business and IT negatively affects the constituent experience with higher complexity, lower quality, and limited ability to support constituents 24/7 through multiple channels. The combination of the high cost of capital for technology and implementation complexity has impeded enterprises' desire to automate, develop new capabilities, and to grow.

IT teams remain crucial to an enterprise in researching, architecting, implementing, integrating, operating and securing innovative technologies. However, the new technologies are challenging the traditional division of labor between the business and IT teams as enterprises strive to improve their business agility by increasing their rate of change.

THE CONVERGENCE

Business strategy is increasingly informed by technology innovation, replacing the traditional view of technology as the "cost center" with technology as the core of business decision-making.



Digital transformation, AI, RPA, data analytics, and cloud computing are changing how technology is implemented and maintained. Technology that was once cost prohibitive is now accessible; legacy ERP systems that required 3 to 5 years to implement can now be replaced in 12 to 18 months at 25% to 50% of the legacy cost. Robotics process automation (RPA) is lowering the cost of capital below the cost of labor providing opportunities to automate manual business processes. A robot costs roughly $30,000 per year and can operate 24/7, with an unlimited skillset, as compared to a "fully loaded" FTE in a low cost

region costing over $50,000, working 40 hours/week, taking off holidays, and having a limited processing skillset. Robot turnover is nearly non-existent.

New application technology (SaaS) is highly configurable for business changes. Adopting industry standard business processes delivered with the new technologies can provide new insights and opportunities to differentiate from the competition. To fully leverage the agility these new technologies offer, the business units should assume responsibility for most changes that do not alter technology architecture and that adhere to enterprise technology standards. This should free up capacity within IT to focus on new technology, architecture, and integration, while enabling the business to quickly implement changes without having to utilize IT effort.

Automating manual processes in both IT and the business will free up additional capacity to develop new business capabilities. Traditional ITIL service management processes like vendor management, change management, incident management, problem management, and security should continue to be managed centrally within IT. The challenge will be how to funnel decentralized business changes through a centralized change management process to ensure quality, user training, and operational readiness. In the future it may even be advantageous to move some of these processes to the business.

Providing "change self-service" capabilities to the business will improve the value of new investments and increase speed to market of new business capabilities to adapt to and/or lead industry innovation. It should enhance business and IT collaboration. However, it will be important to hire the right talent that understand and appreciate the value of the new technologies. Hiring employees with a legacy mindset will create unhealthy organizational friction and impede enterprise agility. Employees across the enterprise must become more tech-savvy and process oriented and employees in IT must be more business-savvy. CIOs will increasingly hire employees with business acumen, not just good technology skills.

CONCLUSION

IT has an opportunity to continue to optimize the enterprise centrally with cost effective and secure architecture while enabling business units to individually optimize through self-service capabilities. While the business and IT have traditionally had distinct roles and responsibilities, those lines are becoming blurred with the advent of the new technology delivery models. Creating a culture and environment where it is safe for IT teams to give up their traditional roles and responsibilities requires high levels of trust throughout the enterprise. Changing the operating model will be much more difficult if IT believes that in the end they will be disintermediated. Hiring employees that understand these organizational dynamics will create the required culture. With the convergence of business and IT, enterprises can increase their speed to influence markets, and obtain faster return on their technology investments.

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About the Author

Neil Brandmaier is an Avasant Fellow experienced in transforming and optimizing IT and business shared services organizations driving enterprise value by resolving complex issues affecting business, organization and technology performance. For more information, email him at neil.brandmaier@hotmail.com.

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