

WHITEPAPER

Effective Organizational Design for IT

Overcoming the 5 Common Barriers

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Introduction

If you research organizational design for information technology (IT), you will find a plethora of articles and models touting the latest version of best practices, and detailing the difficulties of getting it right. Despite their best redesign efforts, the majority of organizations will report less than stellar results and very little improvement, if any, in productivity. There are common barriers to effective organizational design faced by all IT groups. If these barriers can be overcome, the chances of success are greatly enhanced.

Barrier #1:

Starting the new organization design process with names in the boxes - instead of the work

Most of the groups we have worked with tend to start a redesign process by putting the names of employees in the boxes of the organizational diagram. These often include the names of those in charge of the redesign initiative, prized technical subject matter experts (SMEs) and other favorites. Building the design around specific individuals can sabotage the chances of creating a truly effective organization aligned with business requirements. To be successful, the design must be able to withstand employee turnover, company transitions and changes in skill requirements.

In the beginning of an organizational redesign, energy is high and so is the curiosity to see where current employees land. It is difficult to focus on designing an organization for the good of the business without considering of one's own fate. Involving outside assistance in organizational design removes this challenge from the equation. This objective view from a neutral third party helps keep the focus on the actual work in the box, not the names of the workers. Putting individuals' names in the boxes should be the very last thing that occurs in organizational design.

Some companies argue that they do not have the people to fill the roles they need, so they want to build the design around the people they have. This is a very high-risk decision, as people change jobs and business needs alter the skills required. Any design change has the potential to trigger staffing challenges. It is important not to confuse a recruiting challenge with an organization design issue.

Finding the right skill sets for the positions when the expertise is not available in-house can take time. In the current IT job market, some skills are extremely rare. As a result, many companies have decided to “grow their own” internal candidates. Companies will have to consider the extra time required for the recruiting or development processes, and an interim organization design may be needed to bridge the time gap.

**Barrier #2:
An insufficient understanding of business needs**

In one of our previous white papers, we highlighted a key challenge in optimal organization design: “With a well-defined IT strategy, organizations can quickly get a complete understanding of the operational needs and requirements to drive business value.” Every segment of the IT function should be able to trace its existence to a contribution to the business value of the company. This should be reviewed periodically to ensure alignment with changes in the company direction.

While most IT leaders feel they know precisely how staff is spending their time, the connective workflow across IT is often hard to see. It is difficult for one part of the function to truly understand what all the other parts are doing. The first step to understanding is to conduct an analysis of current work activities. These activities can then be reviewed by business leaders for prioritization and regrouping according to business value, market value and potential for outsourcing. It will also help in the natural grouping of activities and connections between them, showing how they are helping or hindering the IT workflow supporting the business.

If leadership ignores the workflow that produces solutions to business needs and keeps the work tightly segmented in traditional discrete boxes, it becomes very difficult to adjust to changes in business priorities. Employee time may be spent on work with little value to the bottom line, making changes in the organization's design irrelevant.

In a quality organizational design, the IT workflow can be clearly traced, detailing the connection and interdependencies across the various areas.

**Barrier #3:
Lack of a long-term vision for IT organizational capability requirements**

Organizational designs do not last forever, but they should last long enough to make a positive impact on productivity. Some companies are uncomfortable looking too far into the future because of the uncertainty involved. An organizational design that never changes cannot react to changes in business needs. On the other hand, constant changes in the organization's design negatively affect the group's focus and productivity. There should be a balance.

In order to give the design an extended lifetime, it should be tied to the long-term vision for the IT function and the company's strategic plan. Attention should be paid to the organizational capability that will be necessary to support the business plan over the next three years. Defining the organizational capability required can be done in a workshop setting using the activity analysis described in the prior section as one component. Comparing the "as-is" activities and capabilities to those desired in the "to-be" organization defines any skill gaps that the team will need to address in building organizational capability.

The presence of skill gaps is a cue to consider changes in the organization's design. Although things might be going very well at the moment, these skills gaps will have a negative impact on deliverables and workflow effectiveness. Skill gaps in organizational capability will also have an impact on future recruiting, hiring and training needs. Companies often make the

mistake of overlooking the impact that additional new skill requirements can have on its current processes and reporting structures.

This capability and skill gap analysis must also maintain a global viewpoint and will raise the following questions:

- In what locations will the skills be needed, and where are they now, if they exist at all?
- Can the skills developed in the current staff, or must they be acquired in new hires?
- Can the skilled staff be leveraged to fill the gaps worldwide?

The organizational design must take all of these issues into account in order to survive more than a few months.

**Barrier #4:
Blind implementation of a “best practice” design**

In our experience, while we find many similarities in IT teams across various companies, no two are identical. Each has unique aspects or challenges. Many companies boast a best practice organizational design, but the best design is the one that works best for your company.

While it is useful to study the designs of other organizations, the key is to learn from the ways the other companies followed the workflow and segmented their responsibilities, not to copy the final product. Ask the following questions to help you understand if a design is appropriate for your company:

- What challenges did the other companies have?
- Were they similar to your challenges and industry?
- Did they find structural solutions to issues that affect your workflow now, or those that are coming in the future?

Keep in mind that there is no one perfect design. If there were, everyone would be using the same one.

The design will also change periodically as the work and focus of the business changes. Flexibility is important. If your organization's design is too rigid, or you have blindly copied another organization's best practice, it will limit your group's ability to adjust to shifts in business needs.

**Barrier #5:
Delay in implementation of change**

If a change in the organization's design is warranted, then do it as quickly as possible. It is important to note that making the change quickly is not the same as making it carelessly. This is a major adjustment affecting reporting structures, team dynamics, roles and responsibilities, workflow and morale. Speed of implementation is considered one of the three keys to success.

Timing and communication about the implementation of design changes are also critical. Well-crafted messages are key to keeping up momentum and morale. The fear tied to uncertainty during change has a direct negative impact on productivity and the bottom line. The best design in the world, if deployed poorly, can cause more harm than good and require additional time to achieve the positive impact it was designed to produce.

With a careful decision based on analysis and a solid plan for communication and deployment, the change should be implemented right away. The rumor or knowledge that an organizational design change is in the works distracts employees and lowers productivity. Dragging the process and decisions on for weeks will have a negative impact on the bottom line. Without help from an experienced facilitator, or other organizational design professional, the process can stall if decision-makers get mired in details and doubt. The company may even lose quality employees during the wait if they aren't confident of their place in the new organization.

A clear IT and business strategy, thorough knowledge of IT activities and priorities, and a roadmap to required organizational capability can help a company avoid these barriers, and produce an organizational design that heightens efficiency, productivity and the business value of IT.

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