



FIRMS NEED A BLUEPRINT FOR BUILDING THEIR IT SYSTEMS

5 WAYS TO ENSURE INTEGRITY AND COHERENCE IN YOUR BUSINESS OPERATING MODEL

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Winchester House in San Jose, California, was once the residence of Sarah Winchester, the widow of gun magnate William Winchester. This mansion is renowned for its size, its architectural curiosities, and its lack of any master building plan. It is, unfortunately, also a great analogy for how many organizations have constructed their IT systems.

Mrs. Winchester began building her mansion in 1884 and its construction proceeded without interruption until her death in 1922. Workers labored on the house day and night until it became a seven-story mansion with 160 rooms, including 40 bedrooms, 47 fireplaces, 17 chimneys, and over 10,000 panes of glass.

Mrs. Winchester did not use an architect, and all of the work was done in a haphazard fashion. The house contains numerous oddities like doors that go nowhere and windows overlooking other rooms. One window was designed by the famed Tiffany & Company so that when sunlight strikes it, a rainbow is cast across the room. The only problem is the window was installed on an interior wall in a room with no light exposure.

Many organizations are in a similar situation. Their structure emerged and continues to evolve without any blueprint or architectural integrity. Processes are bolted on in response to new products and services. Systems are implemented to support local initiatives. Policies to aid efficiency are ignored. IT applications to support local or functional strategies and initiatives are provisioned directly from the cloud, often without the knowledge of the IT department. The result is different data definitions, inconsistent business logics, multiple workarounds, unrealized synergies, redundancy, re-invention rather than re-use, and a myriad of different technologies.

Given how the importance and complexity of IT are rapidly increasing thanks to a variety of advances (e.g., analytics, sensors, the internet of things, social media, mobile computing and apps, 3-D printing, and the cloud), the lack of a plan is dangerous. It is imperative for firms to have a blueprint for how information will be used to help the business create and capture value, how different kinds of information will be integrated, and the extent to which organizational processes will be standardized (the more such processes are standardized, the more the IT systems supporting them can be standardized). At a time when the customer end of the business model seems to be getting all the attention, executives must not neglect the equally important operations back end.

IT systems “hardwire” an organization’s processes, practices, and information flows, ultimately determining what it can and cannot do. Indeed, any IT outsourcing contracts will be based on a particular way of running the business, locking these in for many years. This will inevitably have a significant impact on operations. Technologies such as “middleware” can provide short-term relief, but it is usually only papering over the proverbial cracks, adding to the problems that will inevitably be encountered in the future.

Without any integrity or coherence in the business operating model, the inevitable result is complexity and the inability to respond to changing competitive conditions and to embrace new digital opportunities because of the legacy of past decisions and indecisions. In response, many now seek agility yet simultaneously fail to address the issue of complexity and exorcise the spirits of legacy. Agility cannot be achieved without first tackling complexity.

But it need not be like this.

The discipline of enterprise architecture (EA)—creating and adhering to an overarching plan for building IT systems—has been around for some time. However, because of the reluctance of business managers to engage in this process of design, it is more often undertaken by IT professionals themselves, who end up guessing what the business will require.

In constructing any building, there are multiple perspectives to consider: the owner’s, the planning authorities’, the building contractor’s, the carpenter’s, the bricklayer’s, the glazier’s, the plumber’s, etc. All are interested in their view of what is being designed and built but need to work from a common vision if coherence is to be achieved. The same is true of IT. The key choices are around the degree of standardization, the extent of information integration, and how information will be used to support strategic and operational decisions. These choices will have significant impact on performance.

To make these choices, five things are required:

1. The leaders of the business must take responsibility for the design of the operating model that frames the EA from a process, people, data, and things point of view. This involves an integrated view of how value is created through products, services, and solutions and is then captured in the design of the operating model. Many executives focus on capturing value before they have figured out how to create it. As incumbent businesses are increasingly threatened by digitally oriented disruptors, the operating model is as important as the innovative design of the business model.

2. Enterprise leadership—a view of the business beyond optimizing functional silos between business functions and across support functions—is a must. Too many executives are still measured and rewarded for functional leadership and not for an integrated view of how strategy, structure, processes, culture, rewards, and information flows define how a business operates and continuously changes. Again, disruptive entrepreneurs in many established industries focus holistically on the operating model, while consciously abandoning established functionally-oriented ways of thinking and leading.

3. Firms must abandon the dominant IT paradigm of the IT department deploying systems within requirements, on time, and on budget, and then declaring “mission accomplished” once the system has gone live. To gain agility, the company leaders must adopt a [usage-oriented view](#) of turning data into useful information, designing software as usable applications, and leveraging technology and infrastructure from whatever combination of partners and suppliers can deliver desired functionality. Clearly, the consumer world of apps and usability is driving a usage-oriented paradigm into the corporation that is challenging the established IT view of the company dominated by big systems, big projects, and “deploy and go live” mind-sets, behaviors, and measures of IT functional success.

4. The enterprise architecture must be driven by a customer- and market-oriented view of a constantly changing business environment. If executives believe that their industry and business climate is driven by volatility, uncertainty, constant change, and ambiguity (VUCA), then their views of the business model and underlying operating model must be designed and built with simplification, flexibility, agility, and mass customization in mind. Despite the declining life cycles of companies in most industries, the IT view of EA is still dominated by views of stability, complexity, and standardization that are out of step with both the actual VUCA environment and the continuous forces for digital disruptions coming from the world of analytics, mobile, platforms, and social media.

5. Business and IT leaders must take a long-term view of how to design and build modularity into the databases, systems, and the processes that they support. When you cannot predict what data, systems, and technologies you will use in 5, 10, or 15 years, then you must view the operating model with an eye toward “flexible stability” where you design and execute with constant change in life cycles of processes, databases, systems, and technology in mind. Business and IT leaders must apply a “design for use” approach to their views of enterprise architecture rather than a “design to build” approach where stability, compliance and risk are the dominant views of EA.

Mrs. Winchester could afford to build a house with no real design and architectural concept in mind except her daily tastes. Business leaders cannot afford similar chaos within their organizations and an IT-dominated view of EA. Neither is acceptable in a world dominated by digital innovation, change, and disruption.

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