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AN EFFECTIVE IT OPERATING MODEL – DO NOT UNDERESTIMATE ITS IMPORTANCE

Organisations today are more reliant than ever on their Information Technology (IT) services for their business activities. As such, it is imperative they can control and manage these services effectively. Investing in the design and implementation of a robust operating model is essential to maximising the business benefits of IT.

The increasing complexity of enterprise IT environments makes managing these services a challenging task. Gone are the days when organisations would be content to either manage all of their IT in-house or outsource everything to a single supplier. Multi-sourcing environments have become the norm, characterised by a multitude of internal and/or external suppliers providing services to one or more business divisions. Organisations need to ensure that they don't end up with an operating model that is essentially a collection of different contracts and relationships. Instead organisations need to design and implement a single, fit-for-purpose operating model encompassing all the different players within their IT eco-system. The operating model must also be aligned with the wider IT strategy of the business, corporate governance structures and culture.

There are three interrelated areas that you need to consider when designing your operating model:

- service demarcation outlines the demarcation of responsibility between the retained in-house organisation and the external supplier(s);
- the delivery organisation describes the retained in-house and supplier organisational structures required to support the delivery of the IT services to the business; and
- governance provides the framework to address how decisions are made, who has the authority to make decisions and how decisions are communicated.

INSIGHTS

1. DEFINE THE SERVICE DEMARCATION OF RESPONSIBILITY

You need to define a clear line of demarcation to distinguish the functional ownership and responsibility between all the parties in your ecosystem. What is your organisation responsible for and what are your suppliers responsible for? The answer to this question may differ from service-to-service and/or from site-type to site-type.

We believe that the best way of defining this demarcation is to review each of the service management processes set out in ITIL v3 and establish where the accountability and responsibility lies within each of the processes. Whereas service strategy should always be owned or led by the customer, ownership of the remaining four lifecycle stages (service design, service transition, service operation and continual service improvement) will depend on your preference for an insource, managed service or outsourced model or indeed a combination of these models. You need to ensure that there is no duplication of effort with different parties being responsible for the same activities.

2. DESIGN THE DELIVERY ORGANISATION:

You need to have a clear definition of what your organisation is responsible for. Once this has been established you need to design the delivery organisation and structure to enable these responsibilities to be carried out.

The delivery organisation also needs to have clearly defined interfaces to external suppliers as well as internal business organisation. The former will enable successful contract governance, while the latter will facilitate proper visibility of IT by the business and continual alignment with corporate strategic objectives.

3. ESTABLISH THE GOVERNANCE FRAMEWORK

The governance framework highlights the 'who' and 'how' elements of the operating model. It defines the principles, rules and processes that enable effective decision-making. The framework must be fit-for-purpose and flexible such that it can readily adapt to your changing business requirements.

The governance framework should be multi-tiered, ideally across three levels: executive, commercial and operational. This not only ensures effective decision-making but also provides a clear escalation path for dispute resolution.

The governance framework also needs to define the performance measures and reporting requirements - standardising management information across all the different parties in your operating model will enable you to effectively evaluate the success of your operating model.

CONCLUSION

The design, implementation and ongoing optimisation of the operating model are mission-critical aspects of IT strategy and operational management. It is vitally important to get the model right because it is a vehicle to enable successful execution of strategy, to realise business case benefits and to minimise value leakage and the risks of managing today's complex multi-sourcing environments.

ABOUT US

Wavestone is an international consultancy that provides connected thinking, insight and capability to industry leading organisations. We work collaboratively with our clients to plan strategic business transformation and seamlessly turn strategy into action.

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If you'd like to find out more, please contact us by calling at +44 20 7947 4176, or via email at enquiries@wavestone-advisors.com or visit our website at www.wavestone-advisors.com

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