Three CIO Advisory Board Responses to “The Enterprise Capability Organization: A Future for IT”

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“The Enterprise Capability Organization: Future of IT” by Mark McDonald rightly emphasizes the need for managing enterprise capabilities for organizational maturity and agility. The proposed organization structure does bring together necessary resources to plan, implement, and maintain desired enterprise capabilities. The paper articulates that it requires senior management sponsorship, support from all business functions, and transition of various resources from local business groups to a centralized group. I agree; it is hard to clap with one hand.

While agreeing with the above premise, I would argue that:

1. It is not just about the “future of IT,” it is about “the future of business.” If business wants to get more from IT, business has to re-invent itself about how it plans on leveraging IT, quite like the way in which businesses have dealt with R&D, supply chain, or distribution capabilities.

2. The Enterprise Capability Organization (ECO) does not have to span all business functions and report to the CEO. The Open Group defines an enterprise as a collection of organizations that has a common set of goals and/or a single bottom line. In that sense, an enterprise can be a governmental agency, a whole corporation, a division of a corporation, a single department, or a chain of geographically distant organizations linked together by common ownership. The term “enterprise” can be used to denote both an entire enterprise, encompassing all divisions, and a specific domain within the enterprise. We need to manage capabilities at a level that will allow the organization to achieve its goals. This way, consumers of the capability will accept and adopt the new capability in their everyday life.

3. The scope and purpose of enterprise capabilities depends upon the operating model of the organization. Enterprise capabilities should not be just centralized management and standardization of “repeatable tasks and activities.” The Enterprise Architecture as Strategy by Ross, Weill, and Robertson, describes four common operating models—diversification, coordination, replication, and unification models. The organization’s operating model must be used in determining the reach and range of “enterprise-wide” capabilities and underlying architecture and governance.

4. IT priorities have to match the business agendas and maturity levels. This does not imply that IT should transform itself into a different business function or ECO. The various business functions, such as R&D, engineering, product support, and sales, are able to work together for effective product life cycle management; similarly, IT must grow up in working with other business functions without going through massive reorganization.

5. If business management intends to grow faster than the competition, they have to do something the competition is not doing. To get different results, one has to do things differently. They have to move beyond simply operating or improving repeatable tasks and activities; they have to innovate and/or create new capabilities. The growth comes by focusing on core competencies, i.e., differentiating capabilities, by sensing and responding to unexpected opportunities or events in the market place. Innovation generally happens where there is an action—one on the front-line, not in the back office. IT must help organizations become agile by enabling new capabilities at the right time at the right place in the right format at the right price.

If IT is going to change the way the business works, then the future of IT lies in:

- Anticipating business needs rather than waiting for business requirements to be spelled out. Based on the operating model and business objectives, IT must have a statement of direction for the capabilities that business might need and then execute the appropriate architecture strategy through various business/IT projects.

- Thinking horizontally; acting vertically. People are driven by their needs, not ours. IT must provide contextual capabilities while leveraging common IT capabilities, wherever possible. Over time, most capabilities become commodities. By thinking horizontally and acting vertically, IT can provide sustainable competitive advantage.

- Extending IT beyond the organizational boundary—driving innovation at the edge of the business, not just inside the business. So far, in most organizations, IT has been focused on improving internal business processes. Now, IT must take the lead in anticipating and driving capabilities across the value chain.

The most immediate action IT can take is to plan and manage IT as a business by focusing primarily on the products it delivers, not on how it manages the projects delivering these products. If it takes a business view, ECO may not be required.

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Reading this article from the CIO perspective, I am afraid the key points will be missed or underappreciated. That is a shame since this probably is an important topic that we should think about.

Unfortunately, the article, as it is written, has two flaws which may turn off some practicing managers. I find the statement that “It suggests a possible future for IT that requires significant centralization of many management functions into a ‘capability organization’” intriguing. But the article goes on to suggest that IT should own this new organization. How many business executives would agree with this? (On the positive side, this really challenges us to think about transforming overall company organizational design—more away from the hierarchical archaic structure we inherited 50 years ago. This is a definite plus for the article.)

The second flaw comes from the statements that “Business expectations for IT are now more business focused. Previously, the top expectations were technology-related trends, such as data protection and privacy and security. Now, these are among the bottom five priorities in 2007 and 2010. Business leaders expect the CIO and IT to deliver on these items as a standard part of their job. This means that additional value must come from other sources than in the past.” The timing for these statements is out of date. Good businesses have asked IT to focus on the business and the benefits of its solutions” for a long while.

The Society for Information Systems (SIM) Advanced Practices Council completed work on Organizational Agility last year. In this work, we came at this topic from an IT enabling perspective vs. IS owns businesses’ process improvement—which the article suggests.

The precursor for our thinking came from the book Enterprise Architecture as Strategy by Jeanne W. Ross, Peter Weill and David C. Robertson. The following diagram, from that book, suggests there are stages in the development of business architecture, which underlies organizational agility.

Whatever its flaws, the article does make one think. Is the fourth stage in the diagram, business modularity, a precursor for the fifth state—the ECO model? Is this the next SOA step? The article meaningfully asks the reader to think about the philosophical approach an ECO suggests.
CIO Advisory Board Responses: The Enterprise Capability Organization

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I found this article to be of real interest with some good ideas and concepts, which deserve a thoughtful reading. I found it lacking or needing improvement, however, in three respects.

The first of these is the implicit understanding that all companies can operate in this manner. They cannot. Many organizations are heavily decentralized with divisions in completely different markets—each with their own dynamics. I cannot, for example, imagine a company such as Johnson & Johnson creating such an ECO. With well over 100 companies in industries ranging from consumer products to medical products to pharmaceuticals, J&J has a mix of markets, technologies, and customer types that would overwhelm a corporate-wide ECO.

Second, the paper does not show how the ECO will help the extremely important business objectives of time to market, global growth, and innovation. One wonders whether the centralization the ECO suggests will hamper, or perhaps less likely, help the organization as it pursues these goals.

Finally, I enjoyed the CEMEX example. It did much to show, as the author later notes “some of the first steps in broadening the IT organization.” Yet the example could have been much more helpful to practicing IT executives had it shown the evolution of the CEMEX organization over the past 10 years.

Architecture Maturity Stages

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<thead>
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<th>1- Business Silos</th>
<th>2- Standardized Technology</th>
<th>3- Optimized Core</th>
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