

Reinventing Information Technology in the Digital Enterprise

Introducing PwC's New IT Platform

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Overview

Business volatility, innovation, globalization and brutal competition are among the trends forcing business leaders to step back and look at all aspects of their businesses. High on the agenda: Transforming the IT organization to meet the needs of businesses today.

With the proliferation of digital technologies—e.g. there are currently six billion smartphones worldwide¹—power is now in the hands of the individual, as expectations of what technology can do, anytime, across any device, outpace companies' ability to deliver. As barriers to technology adoption fall, anyone in the organization can get business applications, devices and online services—without IT.

As pressures increase, the gap between business and IT is growing; business units, facing fast-changing demands, circumvent IT to get their own solutions. While technology can drive business advantage, an uncoordinated approach increases cost and risk and fragments data.

Unfortunately, IT's ability to respond to just-in-time requests is hampered by outdated approaches and inflexible IT architectures that aren't structured to cope with rapid change. Legacy IT

models, rigid organizational structures and slow governance processes stifle agility and innovation, both requirements for businesses today. Simply spending more time and money stoking the legacy IT furnace won't work. The days of "big IT" are gone. Yet, that's not to say IT doesn't matter. Quite the opposite, in fact.

Successful IT organizations of the future will be those that evaluate new technologies with a discerning eye and cherry pick those that will help solve the organization's most important business problems. Those who jump on the bandwagon around "anything technology" will quickly become mired in expensive gadgetry that only creates more complexity.

This shift requires change far greater than technology alone. It requires a new mindset and a strong focus on collaboration, innovation and "outside-in" thinking with a customer-centric point of view.

IT will move from a centralized authority to an advisor, broker and orchestrator of business services.

*Michael Pearl
Advisory Principal, PwC*

Market and Technology Disruption Challenges Leaders

To reimagine the organizational IT capability, we need to step back and look closely at the problems we are trying to solve, both from a market and organizational perspective. Analyzing the technology capabilities needed to tackle the business challenges of today and tomorrow will help us identify the core capabilities necessary for our new model.

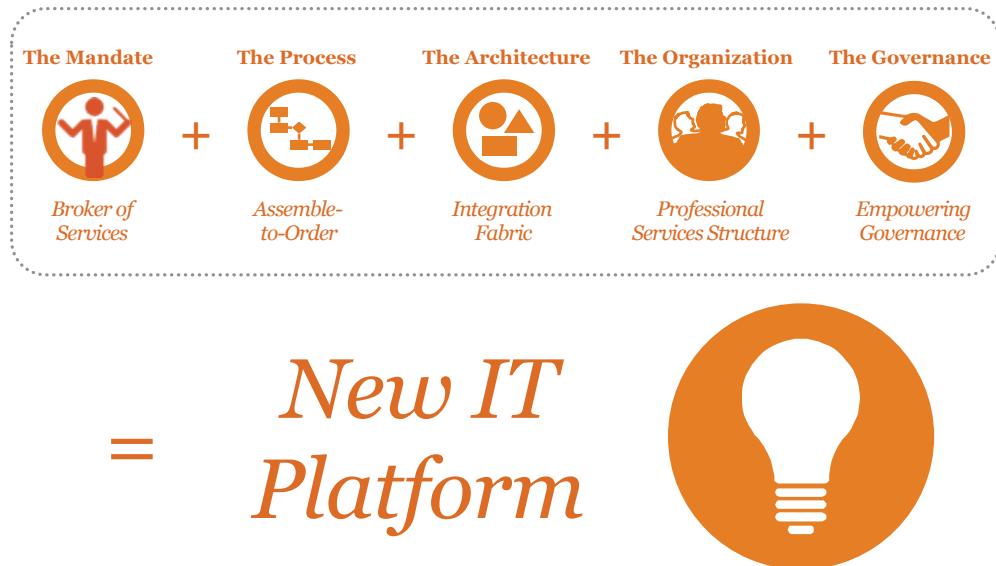
Business, technology and competitive forces are creating the need for a New IT Platform.

<i>These influencing trends....</i>	<i>Require organizations to...</i>
Economic volatility continues to create uncertainty Economic volatility tops the list of CEO concerns according to PwC's 16th Annual Global CEO survey. 71% of CEOs are also concerned with how debt-laden governments are addressing growing deficits. Higher taxes, a shortage of key skills, and energy and raw material costs also dominate concerns.	Prepare for organizational disruptions, such as M&A activity, and the need for rapid adaptations around processes, organizations, information and technology. Develop and understand current and emerging global marketplace trends based on solid, analytics-based modeling.
Innovation is driving new expectations Top performers are more likely to be aggressively investing in emerging digital technologies, including mobility, cloud computing, business analytics and social media—according to PwC's 5th Annual Digital IQ survey.	Recognize that the primary computing device for many is mobile and orient information and tools accordingly. Develop expertise in evaluating, filtering and testing emerging technologies for disruptive potential. Proactively plan for and manage greater vulnerabilities presented by new devices, new partners and new data.
Innovation is driving growth Innovation is a key driver of organic company growth, according to PwC's 2013 Global Innovation survey. Innovation leaders are breaking away from their cohorts, expecting a revenue boost of a quarter-trillion US dollars over the next five years. According to the innovation survey, 78% of the most innovative manage innovation efforts in a structured way.	Treat innovation like any other core business function and manage it following a well-defined process. The most innovative are more likely to formalize their innovation efforts.
3rd-party business models offer more options “As-a-Service” business models are maturing into viable enterprise-grade options, allowing advantages like faster time-to-market.	Excel at vendor management and differentiate between strategic and transactional relationships. Integrate 3rd party business and technology services into the core enterprise platform.
Talent shortages are increasing CEOs remain concerned about the availability of key skills. In PwC's 16th Annual Global CEO survey, 58% of CEOs cited this as a problem, compared with 54% in last year's survey. Organizations need new skill-sets to leverage emerging technologies to drive business goals.	Apply multi-disciplinary teams to solve problems, blending strategy, operations, people, marketplace, analytics and technology skills. Nurture seven digital keystone skills regardless of sourcing or vendor strategy: Architecture, project/program management, business requirements management, quality assurance, vendor management, prototyping, user experience design, and security.

These dynamics radically change the game. They require a shift from building and protecting what's inside the four walls of the enterprise, to an outside-in approach that thoughtfully blends the best innovations that the market has to offer with the organization's core capabilities.

PwC's New IT Platform

The New IT Platform encompasses transformation across the organization.



PwC's New IT Platform is an innovative framework that aligns IT's capabilities to the dynamic needs of the business, and empowers the entire organization with technology. One thing the New IT Platform is not: an attempt to simply "fix" pre-existing IT organizations.

PwC's New IT Platform spans all aspects of the organization. The centerpiece of the new model is the CIO, who serves as a catalyst for digital conversations across the enterprise. Deep, ongoing problem-solving discussions between the CIO and profit & loss (P&L) and functional leaders are not just a good idea, they are critical to success. *PwC's 5th Annual Digital IQ survey* found that companies with the strongest CIO-CxO relationships are **four times** more likely to be top performing companies compared to those with less collaborative teams.

While moving to the New IT Platform requires significant change across all aspects of the business, it's helpful

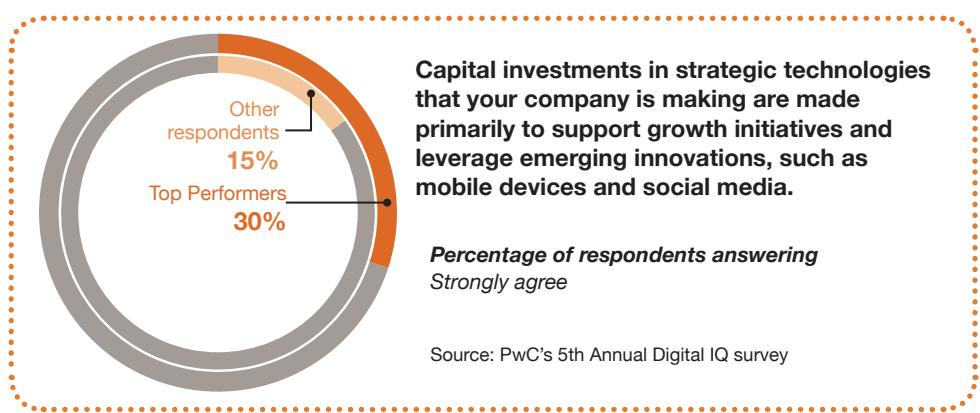
to look at the central areas requiring a new mindset and new ways to approach problems.

The Mandate: broker of services

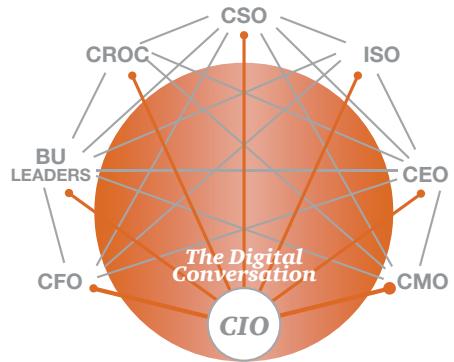
In the past, IT has largely been the de facto provider of all IT services, leading to mismatches between expectation and delivery. In a critical shift, IT needs to change this posture and assume the role of broker or orchestrator of business services and technology innovation. As use of third parties increases, IT will shed more mundane tasks, and assume a

strong internal consulting capability, evaluating digital technologies and marketplace innovations through the lens of business value.

Savvy organizations will embrace, integrate and support technology capabilities wherever they reside. In fact, the term shadow IT will become obsolete, as IT transitions more responsibilities to power users across the enterprise. At the same time, IT will provide guidelines to mitigate risks, control costs, and standardize data.



IT will embrace a fluid, iterative assemble-to-order approach that emphasizes flexibility, collaboration and innovation.



Collaboration between IT and business units will be critical. Ongoing digital conversations will be constant, as IT works to map technology investments to business objectives and to solving problems. The new IT mandate will be one of innovation, transformation and business value.

The Process: assemble-to-order

Companies will move away from the traditional model where a small group of stakeholders dictated direction for custom-built products. Instead, IT will embrace a fluid, iterative assemble-to-order approach that emphasizes flexibility, collaboration and innovation.

Ideas will come from cross-functional communities of employees, customers and partners, through a structured innovation and design process based on social and collaborative technologies. The emphasis will shift from pleasing an internal audience to satisfying the customer. Rather than drive every step of the process, IT will leverage the requisite skills to guide, facilitate, measure and execute.

Additional process change is necessary as organizations increasingly source external services. For example, IT needs to sharpen their vendor management capabilities, ensuring among other things that their provider's operational policies (e.g., related to escalations, incident resolution, change and release management, maintenance windows, security and data ownership) align with their own.

The Architecture: a secure integration fabric

IT is increasingly tasked with securely integrating "any data from any source in any format at any time" and making it easier for any stakeholder, internal or external, to plug into the enterprise with reduced dependence on IT. In light of this, companies need a holistic and enhanced integration capability, which is a stark departure from the integration approach of the past.

A secure integration fabric seamlessly and securely links multi-faceted layers of the organization: e.g. connecting employees and other stakeholders regardless of their device or location; orchestrating interactions and linkages between people, systems, processes and business rules; integrating disparate internal and third-party systems in real-time; and centralizing data from multiple sources to provide a comprehensive, rich repository of enterprise-wide information for analysis and insight.

While integration in and of itself is not new to IT organizations, taking a holistic, enterprise-wide view that weaves together people, process and technology is.

The need for a secure integration fabric can be seen when looking at a major consumer products company that aggressively sourced its customer and sales applications to the cloud. This company had numerous distinct cloud services handling sales commissions, training, customer communities and customer relationship management. A sales executive sought all of the information the company had on "Samantha Jones", only to learn that there was no single source. He lost the sale.

Among its benefits, a secure integration fabric designs a single customer "view" directly into the architecture, which is especially important as enterprises acquire a greater number of disparate applications and providers with no common foundation for centralizing customer or product data. With a well-defined secure integration architecture in place, the organization's ecosystem can accommodate rapid change and adeptly handle new and emerging technologies along with established ones, while securely integrating on-premise and cloud-based services seamlessly.

Under the New IT Platform, organizations will be able to integrate "any data from any source in any format at any time." Any stakeholder, internal or external, will be able to plug in to the enterprise with reduced dependence on IT.

The Organization: professional services structure

A number of organizational changes are important within the New IT Platform. Among the most important will be the transformation of IT into more of a professional services organization. This will require new digital keystone skills (see breakout box). Under the new model, distinctions between IT and business will blur. As IT begins to look more like a consulting organization, required skills will shift to experienced problem solvers and enablers of the business. Employees with multi-disciplinary technology expertise, deep business domain knowledge, and an ability to evaluate the impact of decisions across the enterprise will be most critical.

Architects will play a leading role.

While new technology skills will be difficult to maintain in-house, core marketplace knowledge, business judgment and prototype design and management belong inside.

Digital Keystone Skills

- Enterprise and Technology Architecture
- Project and Program Management
- Business Requirements Management
- Quality Assurance
- Vendor Management
- Prototyping
- User Experience Design
- Security

The central control of IT needs to give way to a more free market oriented form of governance, enabling greater freedom but within boundaries.

The Governance Model: empowering governance

As the redistribution of responsibilities takes place, the governance model needs to change. We can draw parallels when looking at socialist economies “...in which the production and distribution of goods and services are administered primarily by the government rather than by private enterprise,²” as they transform into market economies where resources are “...allocated by the interplay of supply and demand in free markets, largely unhampered by government rationing, price-fixing or other coercive interference.³”

The central control of IT needs to give way to a more free market oriented form of governance, enabling greater freedom but within boundaries. Rather than constraining, this move is liberating, providing necessary guidance while empowering and entrusting others to act in their own interests. What will this look like?

First, a minimal set of critical standards and guidance will be published, letting others take control. For example, data and interface standards may be published so that business units can directly engage with cloud service providers.

Second, standards, policies and enforcement will be defined by a more collaborative approach. Possibly led by IT, a minimal set of standards will be jointly identified by constituents from the broader enterprise. Pragmatic assessment of need will dictate what standards are needed, always with a view towards empowerment over restriction.

Third, governance will become less overt and more intrinsic. As more processes are automated, for example, business rules and policies will be ‘baked in’ and become less obvious. For example, the assemble-to-order process provides a range of allowable building blocks that can be utilized in any number of ways; a flag is raised only if one of the guardrails is violated (e.g. a non-standard interface is defined). Ultimately, there will be certain standards for which decision rights will continue to rest squarely on the shoulders of IT. Security would be among this limited set.

1 International Telecommunications Union (ITU).

2 “Socialism: A Glossary of Political Economy Terms - Dr. Paul M. Johnson,” accessed January 9, 2013, <http://www.auburn.edu/~johnspm/gloss/socialism>.

3 Market Economy: A Glossary of Political Economy Terms - Dr. Paul M. Johnson,” accessed January 9, 2013, http://www.auburn.edu/~johnspm/gloss/market_economy.

How does this impact your business?

Moving to the New IT Platform

While change itself is not new for IT organizations, the velocity of change and associated complexity is unprecedented and disruptions will only become greater. Organizations unable or unwilling to move away from the traditional IT paradigm will quickly find themselves at a competitive disadvantage. Realizing this vision requires strong executive sponsorship, leadership and C-suite collaboration. Leaders will exhibit common traits as they move to the move to the New IT Platform (see break-out box).

Those who strategically transform their IT organizations can seize new opportunities and become a customer-driven organization. Hallmarks include an ability to constantly innovate, rapidly adapt to change, lower costs and risk—and ultimately achieve greater competitive advantage.

PwC's New IT Platform key considerations:

- Empower, not control, embracing technology capabilities wherever they are
- Adopt an outside in approach—filtering innovations through the lens of customer experience and business value
- Engage in ongoing digital conversations to ensure technology investments map to business needs
- Move to an assemble to order approach—driven first and foremost by customer feedback
- Integrate the right technologies and innovations at the right time into the fabric of the organization
- Acquire requisite digital keystone skills and move to a professional services structure
- Provide parameters to mitigate risk and reduce cost

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