

OPTIMALLY EMBED NEW AND OLD DIGITAL CAPABILITIES IN THE ORGANISATION

Over the years *IT in Practice* has shown that organisations structure the work, roles and responsibilities related to digitalisation and the associated technologies in myriad ways. Every year rapid developments in technologies and market offerings challenge the structure of traditional IT organisations, and newly established CxO domains require organisational anchoring.

As all organisational levels of an enterprise rush to establish their own takes on the digitalisation agenda, top executives need to stay focused on keeping their organisations' building blocks in overall balance when it comes to digitalisation and digital transformation. New titles like Digital, Innovation, and Engagement Officers are popping up on organisation charts, sometimes at the CxO level.

Using deep insight into the organisational capabilities needed to succeed, top management must take care to ensure organisational home addresses for an ever-expanding list of digital capability and decision areas. These areas must be intelligently embedded into the organisational structures in ways that

allow them to thrive and perform optimally, and that serve to hardcode a maximum of cross-functional collaboration into the organisational design.

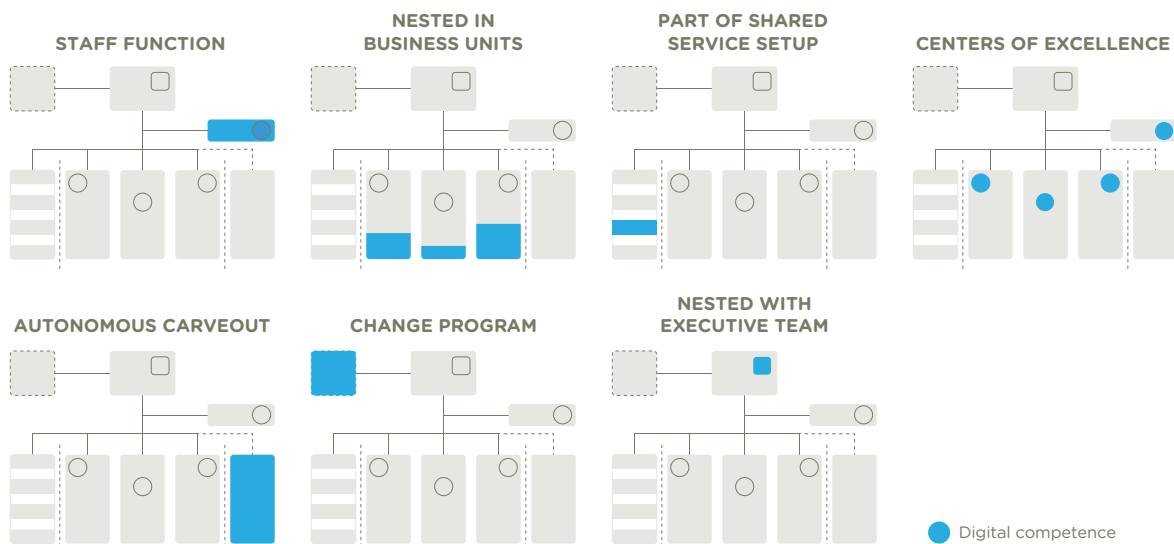
Today business units and staff functions alike have access to endless options from the marketplace. The cloud can seamlessly deliver digital solutions and services apparently tailored to meet customers' exact needs, with little need for technical capabilities on the part of the enterprise, and thus little need to involve a traditional IT organisation – which the rest of the organisation might, in fact, consider more of an obstacle than an enabler. The reality is, however, that the list of obsolete IT capabilities is quite short, while new

capabilities related to the technical and commercial integration of marketplace offerings continue to grow.

IT in Practice has previously established that the most common organisational digitalisation structure in Danish enterprises remains the classic, separated, full-service enterprise IT organisation. This organisational design remains effective at ensuring a unified approach to digitalisation efforts, relying on enabling structures, relationship management, IT governance and project portfolio fora to coordinate and align with stakeholders elsewhere in the enterprise. However, this structure might centralise capabilities and

SEVEN ARCHETYPICAL MODELS FOR AN ORGANISATION'S DIGITALISATION STRUCTURE

Executives should carefully scrutinise the organisational structure of the aggregate capabilities and areas of responsibility related to digitalisation and digital transformation.



decision-making authority to a level that impedes digital transformation and development in other parts of the organisation.

One response to any pressure from business units for more autonomy in digital transformation and business development efforts could be to relocate select digitalisation capabilities into business units (or other staff functions). Depending on company culture, colleagues with strong competencies in function-specific digitalisation (i.e., domain digitalisation experts and business relationship staff) might be able to add more value if organised on the organisation's business side rather than in a traditional IT organisation. Such a transition often has the added benefit of significantly increasing business units' overall digital competency.

Co-organising those areas of digitalisation work with shared service functions or similar is a common method of enforcing an "as-a-business" approach to commoditised digital services consumed internally or externally. The shared service structure should enable transparency with marketplace offerings and, over time perform comparatively with these.

In some companies establishing centres of excellence, intelligently

embedded across business units and staff functions, is a good way of distributing digitalisation capabilities cross-functionally and mitigating the build-up of silos. Centres of excellence can be placed in a variety of heterogeneous business units, effectively fuelling cross-functional collaboration by making it a prerequisite for success in the individual centre.

Established enterprises are often on the lookout for ways to recreate the strong innovation culture and execution drive of, for example, digital start-up companies. Having such capabilities is becoming an important competitive parameter in many industries. One way of organisationally mimicking the start-up mindset is to establish virtual or even physical carve-outs from the main organisational entities and then task dedicated teams of employees with digital innovation agendas unconstrained by the legacy organisation. Experience shows that this approach can significantly enhance project team performance and add a cultural component often lacking in larger organisations.

For major strategic transformation projects with a medium- or long-term horizon, an option is to define a change programme as an organisational entity with its own dedicated executive at the

helm. This solution is transparent to the organisation while also clearly demonstrating ambition and direction. Care, however, must be taken to avoid overlapping roles, responsibilities and jurisdictions from creating confusion.

In established, well-functioning organisations, or wherever the timing might not be right for fundamental reorganisation, a CEO might choose to add a strong digital advisory capability to his or her own executive corner of the organisation. This approach avoids the establishment of yet another organisational entity, instead potentially adding capacity to the CxO group and thus enabling it to influence and drive a digital transformation agenda.

While a smartly designed organisation, based on capability mapping and an intelligent blend and use of various structures and the advantages they offer, will go a long way towards enhancing performance and enabling value-focused cross-functional collaboration, it cannot stand alone. Such enabling and collaborative structures or "governance" need to be equally scrutinised and designed to work with and not against the principles of the organisational design.

ACTION ITEMS



Assess and understand which capabilities are required to be present to achieve the enterprise's visions, goals and targets within digitalisation, digital transformation and information technology



Actively use organisational design as a lever in strategy realisation, thus blending archetypical organisational structures on the basis of their individual strengths



Use enabling structures and governance to enhance and strengthen a well-designed organisation. Don't use them to compensate for the shortcomings of poor organisational design