

# Reengineering the IT operating model to embrace the power of the cloud

By Matthew L. Taylor, Diana Bersohn and Miha Kralj

A large red chevron graphic pointing to the right, positioned behind the text "High performance. Delivered."

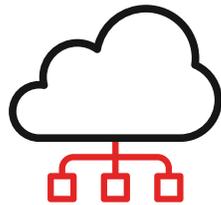
High performance. Delivered.

## **Netflix. Spotify. Airbnb.**

Just a few globally known brands born on the cloud. Fast. Able to pivot to changing marketplace conditions. Marketplace disruptors. Universally admired.

Measuring them against incumbent companies shackled with legacy systems is like comparing a minivan to a sports car. Soup-up the minivan's engine and it will still finish last. Winning companies will be those that reengineer their IT operating model to race ahead in the high-speed, service-based world underpinned by cloud technology.

Everyone is talking about the cloud and the companies that were born because of it. Thanks to cloud technology, and other anything-as-a-service models, new players have been able to redefine their businesses in ways that were impossible even a handful of years ago, creating massively scalable and resource-elastic businesses that are clobbering incumbents. Many traditional businesses have failed to realize the full power of the cloud because they have taken the new technology and deployed it using their existing IT operating model.



Harnessing cloud—and the as-a-service muscle that comes with it—means reengineering the IT organization and the way the company operates. It requires letting go of old command-and-control service delivery and operating models, moving away from centralized structures that value rigor and certitude, and instead, adopting new, nimble models where experimentation and innovation are at the forefront. The traditional IT organization still has a significant place in the enterprise for at least the coming decade, but a larger portion of it will move to new digital models.

Making these changes will require companies to manage their new high speed, digital organizations in an entirely new paradigm, driving a different mindset across the company culture. Those that succeed can beat their start-up rivals at their own game by adapting to changing market conditions faster, while leveraging the value of scale that has always been at the heart of the enterprise organizational structure. Those that do not will face competitive extinction down the road.

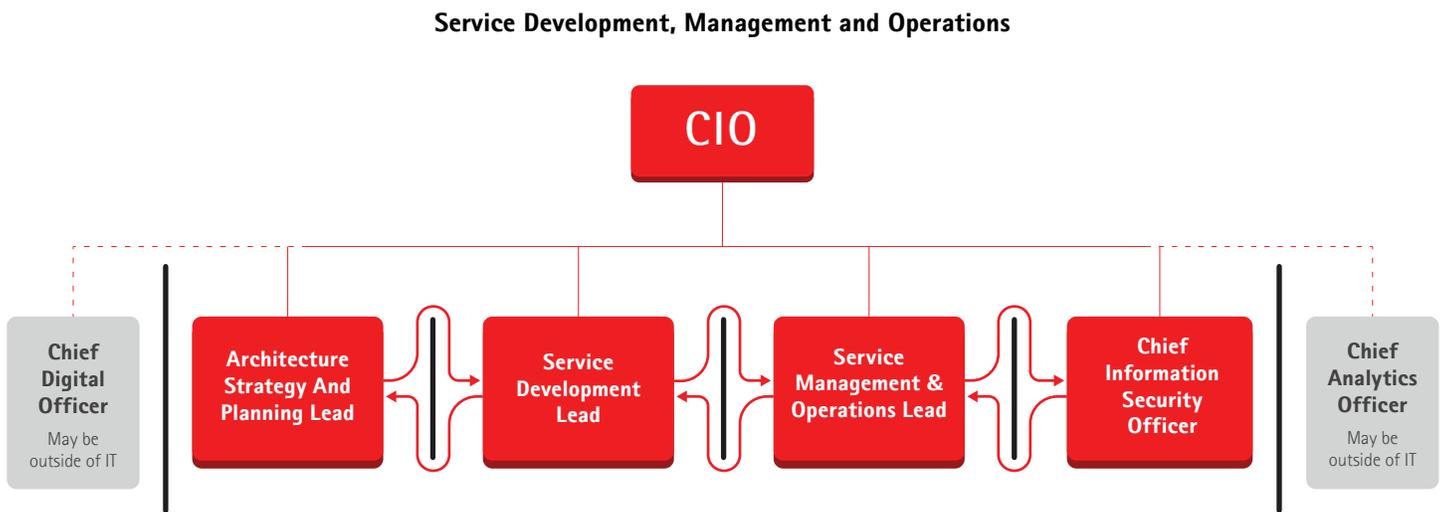
# Thinking like a start-up

Gaining the advantage of cloud computing requires restructuring for the future. Accenture research shows that 84 percent of executives believe the IT organization is shifting from a traditional service provider to a service broker and offering XaaS.

It is something that more nimble companies already do. Consider StubHub, the online ticketing service, for example<sup>1</sup>. The company did not develop its own payment capabilities internally. Instead, it uses Braintree, a payment gateway provider owned by eBay, to process credit card transactions. Without making these types of changes, today's traditional, hierarchical structure is too rigid to rapidly adopt the new technologies that are constantly evolving. It is critical for organizations to tap into an ecosystem of partners allowing for scale and rapid change.

Most incumbents still operate with organizational structures that require interactions across multiple teams to plan, build and deliver services from strategy and design, to implementation and run (SEE FIGURE 1). However, the silos involved in each phase make speed to innovation and collaboration daunting to achieve if not impossible.

FIGURE 1 | Legacy organization structure



Incumbents need to create flat, self-accountable, delivery "service teams" (see "Service teams: A definition") that work collaboratively as self-contained units, without organizational barriers. In many cases, companies are beginning with an interim service-oriented structure within the legacy organization. Once the interim organization is in place and functional, migration to the target state begins and evolves over time. This new structure minimizes traditional boundaries that impede collaboration.

Since this is a change in the culture of a company, efforts with service teams should start small and focus on services that are easiest to deliver. Teams need to have the right mix of business and technology skills to enable them to rapidly deliver those services as a self-contained team.

These service teams offer increased agility and the ability to experiment with new ideas—"fail fast" and move on to new innovations. According to Accenture research, more than half of senior executives surveyed (64 percent) believe independent service brokers or XaaS providers will deliver new capabilities faster than the internal IT organization.<sup>2</sup>

GE is perfecting the service team approach. In 2012, the company announced plans to hire 1,300 IT and engineering professionals in its IT hub in Michigan<sup>3</sup>—at the time, GE's largest collection of IT experts. Working in service teams and focusing on innovation, GE's reorganization has resulted in greater collaboration across diverse areas of expertise, smarter decision-making within teams to quickly change direction when needed, and faster time to market with industry-leading services. Today, GE's IT organization plays a key role in driving efficiencies, both internally and externally—software that the company creates to improve internal productivity evolves into the products and services GE provides to its customers.<sup>4</sup>



**Service teams:  
A definition**  
The concept of "service teams" is gaining traction in today's cloud-based business environment, and there is an abundance of interpretations of exactly what that means. Our definition of a service team is a small group responsible for building, managing and running any service. Since service teams are flat and self-autonomous, they operate more nimbly than teams associated with heavy command-and-control structures.

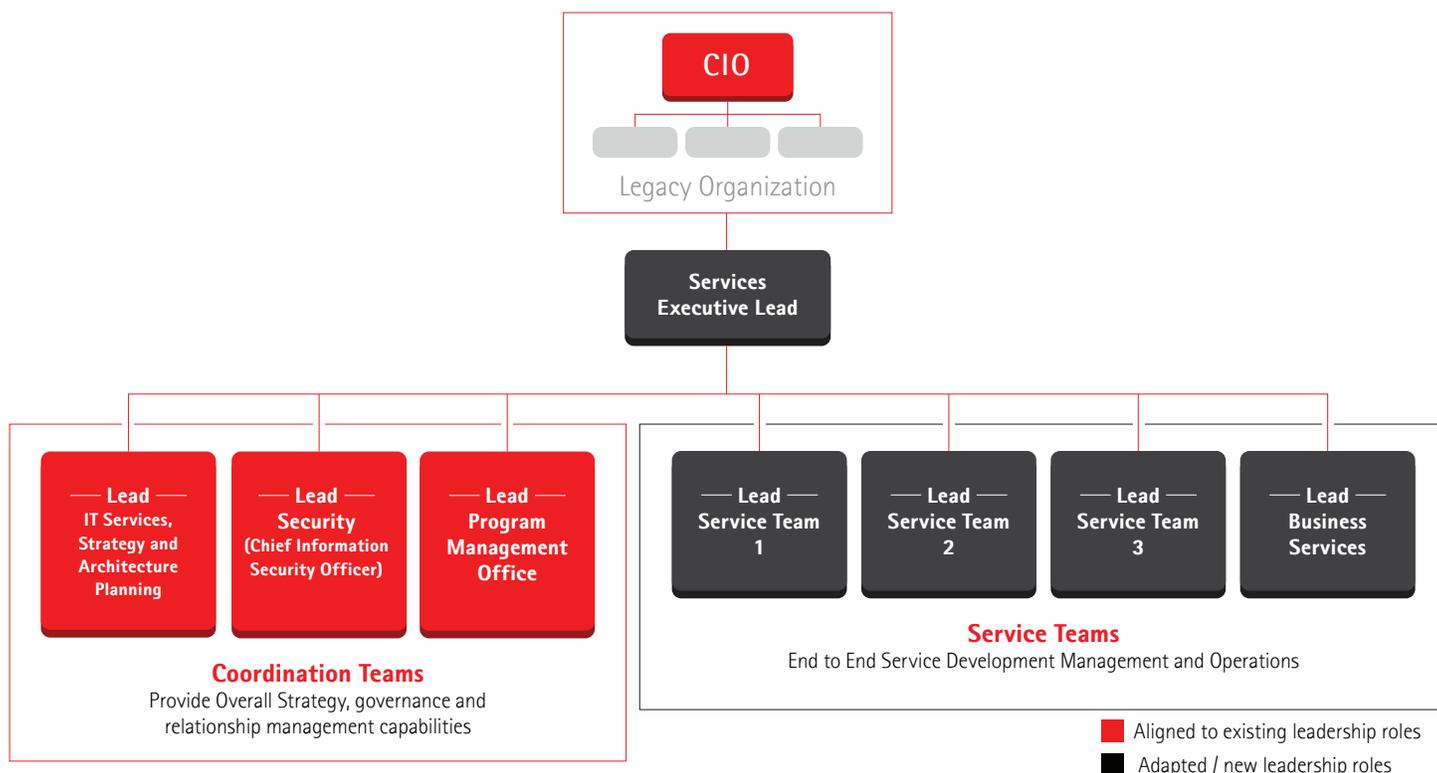
# New capabilities for cloud

Companies need to create a workforce strategy to shape the future organizational structure, develop new IT capabilities and roles, hone individuals' skills and shift the culture to embrace change.

New roles like Cloud Orchestration/Provisioning Manager, Persistence Manager, API Manager or Service Portfolio Manager can be mapped against an anything-as-a-service operating model. For the foreseeable future, there will be many speeds in our new business and technology world. Companies must adjust to these varying speeds and map the new roles accordingly. (SEE FIGURE 2).

Clearly, change is underway with the advent of cloud technology: Eighty-seven percent of executives surveyed by Accenture believe that more than a quarter of their workforce will shift because of cloud.<sup>5</sup> Two-thirds believe up to half of their organization will need to transform.

FIGURE 2 | Multi-speed organization structure

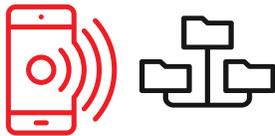


CIOs that want to position themselves for the future need to focus on creating or maturing IT capabilities that have not been at the forefront in the past—those critical to managing the new ecosystem for an XaaS model.

These high priority capabilities and their associated roles include:



**Service Onboarding** | Provides support to customers to obtain new or enhanced services as automation enables rapid onboarding (minutes vs. days). It also entails giving instructions on how to use services, what new services may be in the works, and helps with the initial roadmap and transition planning. Service onboarding requires the knowledge of an engineer and the business acumen of a sales manager, with greater focus on configuring services to meet user needs rather than detailing requirements to build customized solutions. Change is being driven by the new self-service capability where users choose appropriate applications with the help of experts.



**Account Management** | Acting as a single point of contact for customers (internal or external), the account management function identifies demand for new services and communicates new requirements and enhancements to the service team. Account management also develops the business case.



**Strategic Vendor Management** | Partners are constantly changing due to the introduction of new technologies and old ones fading away. The new vendor management and contracting requires ensuring external partners are informed and remain aligned to the strategic direction of the organization and its service requirements. This role coordinates and manages contracts based on service level.



**Product Management/Architecture** | Requires understanding the competitive marketplace, beyond the enterprise, and translating the business value of current and evolving technology capabilities. Skills required for this area are a blend of financial acumen, business domain knowledge, strategic understanding of current and emerging technology and disciplined planning that balances customer (internal and external) demand along with budgetary and strategic decision-making.



**Strategic Planning** | Operates as a dynamic and continuous activity, whereas old-school strategic planning was about establishing a direction and holding the course with little tolerance for deviations or changes.

# Rising to the cloud

Digital has come a long way in a short time. Yet in today's high speed, XaaS world, most IT organizations are lagging. Successful companies will be those that can effectively migrate to a new operating model. The result: responsive, agile IT organizations that lead the way toward future innovation.

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