Five Steps To Transform An IT Organization

by Marc Cecere

for CIOs
For CIOs

EXECUTIVE SUMMARY
Transforming an IT organization typically requires dramatic changes to processes, structure, governance, and culture. To determine how best to do this, Forrester reviewed the results of several transformation projects and the methodologies of a number of major consulting firms. Based on this analysis, we have identified five steps required to successfully transform an IT organization: 1) Create your business case; 2) develop your vision; 3) assess the current organization; 4) develop an organizational design; and 5) implement the new organization. This high-level framework starts with making the case for change and ends with moving people into the new organization. For each step, we describe the actions, best practices, and common mistakes.

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NOTES & RESOURCES
Forrester’s review of projects and methodologies from a number of major consulting firms forms the basis of this report.

Related Research Documents
“Redesign IT Roles To Drive IT Cost Reduction”
March 5, 2009

“Gross Mistakes In The Designs Of IT Organizations”
February 21, 2009

“The Forrester Wave™: IT Organization Redesign Consultancies, Q1 2009”
January 8, 2009
THE BEST TRANSFORMATIONS FOLLOW SIMILAR STEPS

To determine how best to change an IT organization, Forrester reviewed the methodologies and projects of nine leading consulting firms with track records in IT organizational design. In doing so, we analyzed transformation projects of more than three dozen IT shops. Among the methodologies of consulting firms, there is significant commonality in that:

- They follow similar steps. Deloitte's methodology is an example of a well-organized and complete one for redesigning IT. It consists of four major steps, 24 substeps, and associated tools, best practices, and roles (see Figure 1).

- They compare the client's organization to best-practice organizations. Some consultancies, such as Capgemini, compare the client organization to those organizations that are best in a specific area. For example, in one assessment, the consultants compared a manufacturing client's procurement processes to the best-of-breed global contracting processes of a retailer. From this comparison, they developed recommendations that enabled the manufacturer to set up lower-cost global partnerships.

- They rely heavily on self-reporting. Surveys, interviews, and internal reports are used to get an accurate picture of the organization. This picture typically includes the level of maturity of processes, skills, and technology. However, this is self-reported data and often biased. Tata Consultancy Services, in contrast, goes beyond this data to collect company financials and live data from systems and processes.

Five Steps To Transformation

In addition to the work of consulting firms, we reviewed the transitions of IT shops to new organizational models. When combining these two sources, we found the following five steps for transforming an IT organization (see Figure 2).

1. **Create your business case.** This provides qualitative and quantitative support for changing the organization.

2. **Develop your vision.** A vision provides a picture of the future that is sufficiently detailed for people to see themselves in the new organization. It provides a pull rather than a push to the future.

3. **Assess the current organization.** This step involves evaluating the organization to determine the important gaps between the current state and the future vision.

4. **Develop an organizational design.** This is the future model and may include a logical clustering of services (an operating model), an org chart, skills required, and prescribed training.
5. **Implement the new organization.** This step consists largely of the mechanical activities required to implement the design.

### Figure 1 Deloitte IT Organization Design Methodology

- **1.0 Define strategic objectives and assess organization**
  - 1.1 Develop org. design project scope and deliverables
  - 1.2 Articulate strategic drivers
  - 1.3 Conduct org. diagnostic
  - 1.4 Define improvement opportunities and business case
  - 1.5 Develop roadmap
  - 1.6 Develop org. design principles

- **2.0 Define core capabilities and operating model**
  - 2.1 Develop org. design hypotheses
  - 2.2 Define future core capabilities
  - 2.3 Align/define KPIs and balanced scorecard
  - 2.4 Develop operating model

- **3.0 Design organization**
  - 3.1 Develop high-level org. design
  - 3.2 Align business process and workflow
  - 3.3 Align governance/decision rights
  - 3.4 Define rewards strategy
  - 3.5 Define leadership profiles
  - 3.6 Develop detailed org. design and recommendations
  - 3.7 Develop job profiles
  - 3.8 Develop business impacts assessment
  - 3.9 Design org. transition strategy

- **4.0 Transition and evolve organization**
  - 4.1 Develop detailed workforce transition plan
  - 4.2 Conduct selection process
  - 4.3 Transition workforce and execute training plans
  - 4.4 Implement business impacts plan
  - 4.5 Evolve organization

**Table:**

<table>
<thead>
<tr>
<th>Align leadership</th>
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<tbody>
<tr>
<td>Build stakeholder commitment</td>
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<tr>
<td>Manage communications</td>
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Source: Deloitte and Forrester Research, Inc.
### Figure 2 Steps For Transforming The IT Organization

<table>
<thead>
<tr>
<th>Transformation steps</th>
<th>Best practices</th>
<th>Common mistakes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Create your business case.</td>
<td>• Create alternative business cases.</td>
<td>• Little accountability</td>
</tr>
<tr>
<td></td>
<td>• Develop an initial transition plan.</td>
<td>• Purely quantitative business cases</td>
</tr>
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<td></td>
<td>• Focus on drivers and connections.</td>
<td>• Inflexible business cases</td>
</tr>
<tr>
<td>2. Develop your vision.</td>
<td>• Provide details sufficient to determine direction.</td>
<td>• Single-sentence vision statements</td>
</tr>
<tr>
<td></td>
<td>• Link group and individual visions.</td>
<td>• Visions without constraints</td>
</tr>
<tr>
<td>3. Assess the current organization.</td>
<td>• Use an easily understood framework.</td>
<td>• Fact reporting without analysis</td>
</tr>
<tr>
<td></td>
<td>• Use workshops, surveys, and interviews.</td>
<td>• Misuse of self-reported data</td>
</tr>
<tr>
<td></td>
<td>• Evaluate the readiness for change.</td>
<td>• Assessing the wrong areas</td>
</tr>
<tr>
<td>4. Develop an organizational design.</td>
<td>• Design for global processes.</td>
<td>• A plan with too many moving parts</td>
</tr>
<tr>
<td></td>
<td>• Provide realistic alternative models.</td>
<td>• Uncommitted middle management</td>
</tr>
<tr>
<td></td>
<td>• Design the culture.</td>
<td></td>
</tr>
<tr>
<td>5. Implement the new organization.</td>
<td>• Involve HR and legal departments.</td>
<td>• Not controlling communications</td>
</tr>
<tr>
<td></td>
<td>• Employ recognition and rewards.</td>
<td>• Surprising IT’s customers</td>
</tr>
<tr>
<td></td>
<td>• Monitor and exploit informal networks.</td>
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</table>

#### STEP 1: CREATE YOUR BUSINESS CASE

A business case describes the reason for the transformation and sets the project's priority relative to other corporate initiatives. Furthermore, it is used to acquire resources, gain the commitment of stakeholders, and keep the project on track. As problems occur, the business case can be used as a shield to remind people of the reasons for the project. A business case typically includes qualitative factors like improvements in flexibility, customer service, or project execution, and quantitative factors like savings, ROI, or service-level improvements (see Figure 3). Best practices include:

- **Show alternative business cases.** Leaders make decisions by reacting to alternatives. Provide hypotheses and their pros and cons. This has the added benefit of discouraging the creation of new, competing, and impractical strategies for how IT should be organized.

- **Include an initial version of the transition plan.** This is a high-level plan that identifies the major milestones, costs, and risks. Creating this plan sketches out the steps to be taken and builds credibility for the team by showing that it has thought through the transition.
• **Focus leaders on the drivers and connections rather than projects.** Examples of drivers are the need to reduce costs or improve customer service. Connections link drivers to projects. For example, a driver to reduce costs by 5% may be tightly linked to an outsourcing project. Focusing leaders on the need to reduce costs and how tightly this is linked to outsourcing keeps decisions in the business realm and minimizes debates on project specifics.

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**Figure 3 Example Of A Business Case For Testing Transformation**

- **Demand alteration**
  - Testing as risk mitigation
  - 5%-20%
  - 10%-15%
  - Integrated development methodology

- **Enhance process efficiency**
  - Lean, Six Sigma, innovation
  - 10%-20%
  - 4%-8%
  - Test tools, infrastructure and automation

- **Operational model/governance**
  - Vendor consolidation
  - 10%-20%
  - 15%-20%
  - Establish shared services/test factory model

- **25% to 35% projected cost reduction**

- **Reduced testing costs**
  - (65%-75% of $XX)

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- Cost savings are based on organization testing maturity levels and Wipro experience.
- Reasonable assumptions on similar testing transformations were made from the industry.
- Only presents high level static analysis. All benefits are not directly additive.
Common Mistakes In Creating A Business Case

From reviewing the work of consultancies and end user IT shops, we’ve found a number of common mistakes in creating a business case. They are:

- **Lack of accountability.** Those funding and executing the project typically sign off on the business case. However, realization of the business case is infrequently measured. In a May 2007 survey, only 37% of respondents stated they perform post-implementation reviews to measure the actual benefits of IT investments.5

- **Purely quantitative business cases.** Cases that only include numbers ignore improvements that are difficult to quantify such as flexibility, quality, speed, and the relationship with the business. A purely quantitative business case also gives the impression that the organization is only about the numbers.

- **Static business cases.** A business case is like a shark that must keep moving to stay alive; most cases are dead sharks. The business case must be updated and resold during and after the transition as new information is discovered.

**STEP 2: DEVELOP YOUR VISION**

A vision is a picture of the future. It makes real the axiom “change isn’t so bad once you sit in the future.” A good vision describes the future organization in enough detail for people to place themselves in it. Intuitively, it appears as if developing a vision should precede the business case, but we’ve found that creating the business case first results in a more focused and useful vision.

Though the deliverables of this step vary more than other steps, elements of a vision often include the organizational model, required skills, key processes, and sourcing alternatives. IBM’s Component Business Model is an example of one element of a vision that shows an IT organization consisting of groups of services and processes.6 Best practices include:

- **Define the vision in sufficient detail to determine direction.** A vision is a high-level representation of the future organization. An org chart or a comprehensive list of who does what is too granular at this point. The level of detail should include elements such as required new skills, level of centralization of reporting, and changes in the relationship with clients.

- **Translate the group vision into individual views.** The best visions can be applied to the entire organization as well as to individuals within it. They help people see how they need to adapt to the new organization. One organization used its group vision to show how IT’s relationship with business leaders would become more assertive and proactive. It included, for example, a description of the roles of senior IT and businesspeople in prioritizing major IT investments. The individualized version of the vision showed how relationship managers would act as proxies for business leaders as part of the planning and budgeting processes, how their performance would be measured, and what kinds of decisions they’d be expected to make.
Common Mistakes In Setting The Vision

From reviewing the work of consultancies and end user IT shops, we’ve found a number of common mistakes in setting the vision. They are:

- **Visions without constraints.** Every organization is constrained by resources, culture, and systems. Starting the definition without constraints can increase creativity, but this often leads to a model that cannot be implemented. One government agency’s vision was to form modular groups of internal and external services from multiple providers that were managed by a central governance group. During the project, however, they found that the services weren’t modular, the governance group had little experience with external providers, and the coordination required to integrate the services would drive up both costs and risk.

- **Single-sentence vision statements.** One company’s vision statement was, “The planning and management of the company’s IT must be unified and have a planned evolution that is governed across the enterprise.” This is neither tangible nor specific enough for defining the new organization or drawing people to it.

**STEP 3: ASSESS THE CURRENT ORGANIZATION**

The vision developed in step 2 provides a picture of the target model. By assessing the current organization, you will identify gaps in reaching that future state. These gaps may be in areas including skills, processes, structure, or culture. Subsequent phases will attempt to fill those gaps. To assess your organization, the best practices are:

- **Establish a framework for the assessment.** This framework provides a way to organize the findings of the assessment. Many of the major consulting firms use a framework consisting of the functional areas of the IT organization — apps, infrastructure, architecture, etc. Alternative frameworks include major IT activities (e.g., plan, build, run) or processes (e.g., requirements development, incident management, deployment). The findings of this phase are then compared to best practices and given a rating (see Figure 4). This specific assessment shows that IT’s role with the business was a significant weakness — in this case, that of an order taker for the business. This led to an inability to retire old applications, which resulted in excessive complexity and cost.

- **Review current documents for gaps against the vision.** Examples of materials to review include the IT strategy, the enterprise architecture, business plans, major project overviews, and benchmark reports.

- **Execute workshops, surveys, and interviews.** Surveys provide a high-level view from a broad audience. They should include a scale to show level of agreement (e.g., 6 = strongly agree, 1 = strongly disagree) and text fields for adding comments on what’s not working and improvement suggestions. Interviews drill down into specific, often highly complex problems of targeted
groups and may cover the appetite for change, maturity level of managers, or process rigor within IT. Workshops should be used to work through difficult areas such as the selection of a model, definition of a vision, or design of key processes. All three are also useful education vehicles. Accenture, for example, uses interviews by senior-level management consultants to communicate what is normal for these projects and what will be required in future phases.

- **Evaluate the organization’s readiness for changes.** Readiness should be measured along a number of dimensions including skills, attitude, processes, and technology. As part of its evaluation, for example, Cognizant develops mitigation plans based on evaluations of the risks and barriers to change such as the flexibility of an organization’s legacy systems or the global scalability of its processes. IBM adds to this and evaluates the company’s ability to change its culture by analyzing its decision-making processes, formal and informal policies, measurements, and leadership style.

- **Identify the highest-risk human resource problems.** Compensation plans, employment contracts and career paths can all be problematic because of a transition. Furthermore, most transformations increase turnover, particularly among employees with high-demand skills. IT needs to identify these high-risk areas and develop mitigation plans.

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**Figure 4 Excerpt From A Forrester Assessment**

<table>
<thead>
<tr>
<th>Applications</th>
<th>Weak</th>
<th>Strong</th>
</tr>
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<tbody>
<tr>
<td><strong>Structure</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Methodology is less formalized in US.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retiring apps is a major weakness.</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Infrastructure</th>
<th>Weak</th>
<th>Strong</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Structure</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Some structural limitations (e.g., release management in governance and planning and security)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Duplicate infrastructure organizations</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Projects</th>
<th>Weak</th>
<th>Strong</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Execution</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Appeared strong in project results</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weak in repositories, pipeline management, duplicate PMOs, data on project execution, and project estimates</td>
<td></td>
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</tbody>
</table>

Source: Forrester Research, Inc.
Common Mistakes In Assessing The IT Organization

From reviewing the work of consultancies and end user IT shops, we’ve found a number of common mistakes in assessing the IT organization. They are:

- **Merely reporting the facts without finding the underlying issues.** The information collected needs to be analyzed to determine underlying assets, problems, and trends. Many assessment deliverables we reviewed were merely a recitation of facts that fulfilled a contractual obligation. One assessment noted that the average number of direct reports was far lower than similar organizations. What they missed was that the company’s compensation plan kept them from hiring managers with sufficient experience to manage a broad range of functions. The span of control was narrow because middle management had narrow expertise.

- **Misusing self-reported data.** Data collected through surveys and interviews is not absolute truth. Companies frequently fail to consider the motivations of the source of this information.

- **Assessing the wrong areas.** Transformations are complex — you need to focus on what is critical and drop what is not. One firm performed an internal assessment over nine months covering nearly every possible aspect of IT. However, their plan was to consolidate and outsource infrastructure and leave apps untouched. Given this, the assessment should have been completed in a few months and focused on those areas most affected by the change, specifically vendor management, infrastructure architecture, process design, and consolidation.

**STEP 4: DEVELOP AN ORGANIZATIONAL DESIGN**

This step is the heart of the transformation, and in some cases, it is divided into two phases. The first is the development of an operating model, and the second, an actual org chart and supporting material describing other changes.

An operating model is a collection of services or processes grouped based on who will provide the processes and who will consume the services (see Figure 5). An operating model has the advantage of being a model for the IT organization that lacks the emotional baggage of an org chart. Org charts are difficult to create at this point because those creating them are also the ones who will be living in them.

Once the operating model is developed, the full org design is created. It includes:

- **An org chart showing reporting relationships.** This is the most visible and controversial artifact of the transformation. In large global organizations, this is often defined one region at a time. Included within it are roles, responsibilities, interfaces, KPIs, etc. (see Figure 6).
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- **Efforts to address the weaknesses identified during the assessment phase.** Typical examples include definitions of career paths, decision rights, departmental key performance indicators, rewards, severance packages, outplacement services, and retention and coverage plans.

- **Processes that need to be changed.** Process changes will be grouped into those that must be changed immediately and those that will be changed over the long term. Typically, project initiation, change management, QA, vendor selection, and project management require immediate changes to build up capacity and minimize disruptions to the organizations. Long-term process changes depend on the future organization design.

- **A refined implementation plan.** This includes a schedule showing when people will move to their new groups, when process changes and training will occur, a summary of resources required, and all other details of the transition.

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**Figure 5 An IT Operating Model**

<table>
<thead>
<tr>
<th>Manage the IT business</th>
<th>Application development</th>
<th>Architecture/standards</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Business/IT continuity planning</td>
<td>• Software development project management</td>
<td>• Application life-cycle management</td>
</tr>
<tr>
<td>• IT strategic direction</td>
<td>• Technical requirements</td>
<td>• Data architecture and standards</td>
</tr>
<tr>
<td>• Global/regional IT planning</td>
<td>• Release management</td>
<td>• Technical architecture and standards</td>
</tr>
<tr>
<td>• Executive reviews and sponsorship</td>
<td>• Application design</td>
<td>• Application architecture standards</td>
</tr>
<tr>
<td>• Innovation management</td>
<td>• Coding</td>
<td>• Package selection</td>
</tr>
<tr>
<td></td>
<td>• Testing</td>
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<td></td>
<td>• Package recommendation</td>
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</table>

<table>
<thead>
<tr>
<th>Ensure IT/business alignment</th>
<th>Manage the portfolio</th>
<th>Application support</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Understand and codify business strategy</td>
<td>• Demand aggregation</td>
<td>• Application maintenance</td>
</tr>
<tr>
<td>• IT alignment to business processes</td>
<td>• Business value/risk</td>
<td>• End user support</td>
</tr>
<tr>
<td>• Establish business requirements and business priority</td>
<td>• Governance go/no-go</td>
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<tr>
<td></td>
<td>• Build versus buy decisions</td>
<td></td>
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<tr>
<td></td>
<td>• Resource coordination</td>
<td></td>
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<td></td>
<td>• Portfolio ROI</td>
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</table>

Source: Infosys and Forrester Research, Inc.
Best Practices In Designing The Model

From reviewing the work of consultancies and end user IT shops, we've found a number of best practices in designing the model. They are:

- **Design for global process consistency.** The design of global organizations must accommodate local differences in labor laws, skills, services contracts, processes, and other elements. But while these differences must be respected, a redesign of IT is an opportunity to define globally consistent processes. Wipro Technologies' consulting services division uses a three-step process that mines and modifies existing processes to scale globally. Scalability is measured in terms of number of users, flexibility to accommodate local needs, maintainability, and risk.

- **Provide realistic alternative models.** No model can be perfectly in sync with the business direction — all must make tradeoffs. Develop one or two alternatives and encourage those leading the transition to debate the pros and cons. This creates a better final model, enhances understanding of how IT operates, and increases buy-in.

- **Design the culture of the new organization.** A major transformation will change the culture of an organization. It's better to plan the culture than to simply let it happen on its own. IBM has a 10-step methodology that starts with identifying the as-is and to-be cultures, continues by implementing enablers such as incentives and management communications, and ends with monitoring and tracking benefits.

Common Mistakes In Designing The Model

From reviewing the work of consultancies and end user IT shops, we've found a number of common mistakes in designing the model. They are:
Developing an implementation plan with too many moving parts. Many implementations take on too much at once. Implementing a global model for a 2,000-person IT shop should be phased based on geography or function. Similarly, the organization should be highly selective in which processes, roles, and structures are upgraded initially.

Not having middle management on board. Toward the end of this phase, IT leaders will know who the middle managers will be. Middle and frontline management will make or break the transition and need to be on board for the changes.

STEP 5: IMPLEMENT THE NEW ORGANIZATION
This is the most mechanical of the steps. It is also the potentially most disruptive as it changes people's jobs and reporting relationships. To perform this step:

Map people to roles in the new organization. IT leaders need to determine the impact of assignments on processes and services. This will often lead to reassignments, additional hiring, or the use of outside service providers.

Move people to their new reporting relationships. In shops with fewer than 200 people, this can often be done in one step. In larger shops, multiple steps based on geography or function will be required. Implementing this step requires numerous activities including employee selection, communications, implementation of employment contracts, group and individual meetings, and management of disruptions caused by the transition.

Upgrade processes. In parallel, but at a slower pace, processes will need to be changed. Process upgrades are always done in phases. The initial set will consist of those processes that must be fixed to make the transition successful and to ensure normal operations. Frequently, we see change management (e.g., putting software into production) and project initiation (e.g., managing the pipeline of work) in this initial step.

Best Practices In Implementation
From reviewing the work of consultancies and end user IT shops, we've found a number of best practices in implementation. They are:

Involves the HR and legal departments (as needed). HR and, in some cases, legal experts need to be involved to ensure people are treated appropriately and to provide an independent view of the transition. Furthermore, HR needs to be the place people can go to express their criticisms or frustrations without fear of retribution.

Use recognition and rewards to encourage appropriate behavior. At this point, a new culture
starts to form. Recognition at company events, bonuses, and other tools are used to encourage behaviors that are consistent with the desired culture.7

- **Monitor and exploit informal networks.** Some companies establish groups to provide continual feedback to management on the progress and problems during the transformation. They also use these groups to broadcast messages from senior management. Others use their existing internal networks to track how the organization is responding to the changes.

**Common Mistakes In Implementation**

From reviewing the work of consultancies and end user IT shops, we’ve found a number of common mistakes in implementation. They are:

- **Allowing rumors and other “informal” communications to snowball.** Even the best organizations will go overboard on communications but still do so informally, which encourages employees to guess at what is going to happen and create, as one CIO said, “monsters in people’s heads.” Instead, communications should be treated as a discipline with tracking mechanisms, principles, and media chosen.

- **Surprising IT’s customers.** Transitions are disruptive. There will be increased turnover, project delays, and other bumps that companies aren’t used to. And, even at this late stage, there will be changes to the customer relationship that were not planned. For every change, IT must use its communications plan and stakeholder list to provide the right information to the right people.

**OVERARCHING BEST PRACTICES AND COMMON MISTAKES**

For any transformation, there are best practices and mistakes shared by many. The best practices that span multiple steps are:

- **Use available tools.** Most of the major consulting firms, for example, use some form of RACI (responsible, accountable, consulted, informed) matrices for determining who can make, who can participate in, and who is accountable for transformation decisions. Other common consulting tools include heat maps for identifying underlying problems and scoring models for determining linkage between elements such as IT drivers and model alternatives.

- **Be specific on the deliverables for each phase.** Transformations are so rare that few senior managers have direct experience. To make the activities of each step clearer, define the deliverables for each phase. For example, at the beginning of the design phase, create plans for decision rights, resource acquisition, retention, workforce transition, and knowledge transfer.

- **Reuse existing artifacts.** Job descriptions, process models, and organizational charts have all been created before. Though each project is somewhat different, these artifacts will be similar.
If a high-quality consulting firm or research partner is being used, it will likely have these in template form designed for customization.

- **Define and execute a communications plan.** The plan typically includes stakeholder groups, principles of communication, a communication calendar, and mechanisms for communication (see Figure 7).

- **Define and track key performance indicators (KPIs).** The transition plan should identify what is to be measured at project milestones. These KPIs help determine when course corrections are required. Most of the KPIs are a number of completed deliverables, such as an operating models, skills assessments, or onboarding manuals for new employees.

- **Prioritize . . . brutally.** Each step in the transformation includes a list of activities, some of which are more important than others. During assessments, for example, spend most of the time on assessing the different skills required in the new organization. When developing a transition plan, rank the importance of specific activities within each step on the timeline.

And watch out for these common mistakes:

- **Overplanning and overassessment.** Planning and assessment phases that drag out for months increase stress on the organization. During this time, people wonder whether they will have a job and if they can work for their future boss. For a 500-person centralized IT shop, it should take three to six months from the start of the project through assessment phase. Smaller shops take less time, but rarely less than three months. Larger federated organizations take somewhat longer, but rarely longer than eight months for these phases.

- **Overreacting to a normal level of chaos.** By design, transformation projects are meant to be disruptive. Even when done brilliantly, key employees will leave and client services will occasionally be degraded. Industries with long histories of predictability and stability are especially susceptible to this. A global property management firm with a history of stable growth started an IT organizational and technology transformation project. Ultimately, project delays, employee anxiety, and a number of unanticipated project expenses caused senior management to shut down the project. In reviewing this project, we saw that these problems were normal for a well-run project of this type and didn’t justify cancellation. Unfortunately, management at the time didn’t know what a normal level of chaos was.

- **Making all major changes at once.** One insurance company simultaneously attempted an ERP deployment, first-time outsourcing agreement, and complete organizational redesign. Implementing major system deployments while the organization is transforming is piling risk on top of risk.
• Managing consulting partners poorly. Firms such as Infosys, Capgemini, Deloitte, and others execute these kinds of projects well. However, end users need to understand what these companies can and cannot do as part of these engagements. In particular, CIOs need to avoid asking them to learn skills that they don’t already have. These skills will vary with the company and the team selected for the project. During contract negotiations and a few weeks after the project kickoff, the limits of the consulting firm should be determined.

**Figure 7 Elements Of A Communication Plan**

<table>
<thead>
<tr>
<th>Section</th>
<th>Objectives</th>
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<tbody>
<tr>
<td>Section 1 Introduction</td>
<td>Introduce at a high level the organization's approach to communication</td>
</tr>
<tr>
<td>Section 2 Approach</td>
<td>Discuss the overview of the approach to developing the plan, including the linkage with the project plans, benefits targets, and stakeholder management plans.</td>
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<td></td>
<td>2.1 Guiding principles. Discuss the high level directions and principles used to develop the plan.</td>
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<td></td>
<td>2.2 Potential obstacles and barriers. Discuss the obstacles and barriers to effective communication and achieving the change targets discovered in the assessment and how they were used to develop communication strategies.</td>
</tr>
<tr>
<td>Section 3 Communication plan body</td>
<td>3.1 Stakeholder management plans. Discuss specific communication activities needed for the stakeholder group to achieve the targets.</td>
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<td></td>
<td>3.2 Message register. Define the specific messages that must address benefits/interests/concerns for stakeholder groups to achieve the communication targets</td>
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<td></td>
<td>3.3 Communication calendar. List the critical dates when key communications must be delivered.</td>
</tr>
<tr>
<td>Section 4 Communication plan and revision</td>
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</tbody>
</table>

**WHAT IT MEANS**

**DESIGNS ARE ART — TRANSITIONS ARE SCIENCE**

Designing future IT organizations is still an art form. This is because new technologies, methodologies, and sourcing alternatives are changing IT organizations in unpredictable ways. But transitions are different. The steps are certainly difficult and disruptive; however, consultancies have shown that they can be consistent and effective. This does not mean that all transitions are
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For CIOs

alike. Small shops require fewer steps and take less time than large ones. Companies that need to quickly reduce costs will transition differently from those that are building up the elements to grow. But hundreds of engagements have taught consultants what the patterns are and how to deal with company differences.

ENDNOTES

1 Forrester evaluated seven leading IT organization redesign consultancies against 40 evaluation criteria and found that all seven show an extremely high level of competence. See the January 8, 2009, “The Forrester Wave: IT Organization Redesign Consultancies, Q1 2009” report.

2 Business cases are following their own “maturity model” as they move from filling the need for obtaining funds for a standalone initiative to being a driver for project planning, serving as the tool for prioritization of competing investments, and becoming an enabler of long-term project benefits realization. As the sophistication of the business case increases, the content must keep up. Business cases now must speak to alignment, benefits realization, and risk, as well as mere project economics. See the July 18, 2007, “The Components Of A Quality Business Case” report.

3 The structure, processes, and culture of an IT organization can be barriers to success; therefore, CIOs should periodically assess their IT shops and make improvements. See the October 23, 2007, “Assessing Your IT Organization” report.

4 CIOs frequently change the structure of the IT organization to reduce costs, improve services, or increase responsiveness. Getting the organization design right is essential; the wrong design can degrade business relationships, reduce effectiveness, and damage culture. See the February 21, 2008, “Gross Mistakes In The Designs Of IT Organizations” report.

5 Source: Forrester’s May 2007 Global IT Governance And Steering Committee Online Survey of 317 technology decision-makers.

6 Component Business Modeling is an IBM service offering that starts with a complete model of the essential business processes in an industry and then uses that to identify differentiating and nondifferentiating components and isolate those that present immediate opportunities for growth, innovation, or improvement. Source: IBM (http://www-1.ibm.com/services/us/index.wss/so/igs/a1005119).

7 Forrester asked 72 IT professionals about the importance, enablers, and costs of culture change. Our analysis broke down culture change into eight enablers that included rewards, policies, and peer actions. Some of our findings: Leaders’ actions and statements have the highest effectiveness for the level of effort, whereas punishing bad behavior was both high in effort and low in effectiveness. See the December 3, 2008, “Changing IT’s Culture — What’s Cheap And Easy?” report.

8 The consultants didn’t prepare the organization for the normal level of chaos. Transformations are disruptive to normal operations. As transformations are an infrequent occurrence, companies don’t know what is normal in terms of employee turnover, project delays, changes in plans, and other areas. IT leaders hire consultants because the consultants have been there before. IT leaders felt, for example, that consultants didn’t rehearse with clients on what to say to the business or IT staff when project delays occurred. See the June 4, 2009, “Gross Consulting Mistakes In Transforming IT Shops” report.
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