The Expanding Operational Maturity Gap

Operations Strategies, Service Management Strategies
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IT operations groups are under pressure to either increase their operational maturity or face a painful and inescapable decline into oblivion. Although 20%-25% of organizations are on the road to higher maturity, most IT operations groups' cultural and political issues will continue to inhibit their operational maturity. Through 2007, IT operations groups must address cultural issues and process standardization or face increased disparity between high and low maturity operations.

The varying levels of operational maturity within IT organizations (ITOs) are well known (see SMS Practice 001). ITOs at lower levels are striving to attain higher levels to gain efficiencies and lower costs. Unfortunately, most ITOs suffer from systemic cultural and political woes that will make this transition difficult or even impossible. IT groups must follow process-oriented operational best practices, but the human influence is the most obstinate barrier to high maturity. The irrational exuberance of the late 1990s may be over, but cultural remnants persist. A different approach to IT operational culture and political structure is necessary to ensure the future relevance of IT as an organizational entity within the business hierarchy.

Currently, 5%-7% of Global 2000 (G2000) ITOs have achieved a high level of operational maturity with another 10% approaching. By 2005, 20% will boast high maturity. Growth beyond this time will slow, with only 30% achieving mature internal operations by 2009. Through this continuum, organizations will diverge into mature and immature categories (see Figure 1). Outsourcing will increasingly augment or supplant internal ITOs. Of the organizations that will fail to attain high maturity on their own (35%-40%), many will be fully or largely outsourced, with partial outsourcing in almost all. The remaining organizations will still flounder, restricting business value and operating in an atmosphere of chaos. Such operations will eventually fall victim to outsourcing, or their host companies will close down. Although IT will always remain business-critical, mature internal ITOs will become the exception, not the norm.

This is good news for the outsourcing market, whose vendors will be the undeniable beneficiaries of this trend. Some outsourcing — when driven properly by appropriate business requirements — is warranted, but it must be done with extreme care. Mature organizations will use targeted outsourcing with flexible contractual terms and explicit definitions of roles, responsibilities, and service requirements. Integration between the outsourcer and the ITO will involve tight integration of information flows and process linkages. Weak maturity will yield an almost irreversible increase in careless outsourcing, much of it done as an overreaction. A naïve expectation of outsourcing as a panacea will inevitably cripple many of these scenarios.

Status quo culture and egocentric political agendas pose a destructive threat to maturity and the organization's future viability. A new approach to IT operations is essential, and time is short to make this transition. Economic pressure from business leaders and senior IT management is now imposing an ultimatum to improve efficiency or face dire circumstances, including firings and punitive outsourcing.

Process-oriented structure replaces resistant cultural barriers with more amiable and cooperative atmospheres and attitudes aimed at the common goal of business value. The removal of "cultural friction" enables the ITO to operate with significantly less effort and cost. Even a simple step such as reinforcing a common goal of business value is an action that produces remarkable progress in organizational efficiency and interpersonal synergy.

> *META Trend: Through 2005/06, portfolio management disciplines will become a natural derivative of center-of-excellence (COE) processes, bringing accountability to the business and driving more efficient use of selective outsourcing for low-margin, low-value services (2005/06). By 2007, COEs will be the primary investment and delivery vehicle for IT products and services.*

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ITOs must execute on the following measures to improve operational maturity and business value:

- **Adopt structured processes based on growing best practices:** ITIL and various ITIL supersets (e.g., META Group's Process Maturity Model and operations excellence program) offer significant process standard starting points. Regardless of which model is used, processes must align with common operational functions and not with technology domains. This will require reorganization that could be dramatic, because political ailments are caused or exasperated by outdated organizational structures.

- **Relentlessly preach the solitary goal of demonstrable business value:** This is a common mantra, but actual practice remains largely focused on technology. Rhetoric is important, especially when repeatedly infused into people. However, execution that synchronizes with this rhetoric is how organizations truly achieve business value. In addition, this business value must be properly communicated in business vernacular (e.g., IT impact on product shipments), not technology-centric terms (e.g., server availability).

- **Create and continually reinforce a new culture of cooperation:** This applies to every single member of the organization, including those technically outside the IT domain. As IT operations mature, business customers become integral to the operation. This amiable cooperation is a fundamental characteristic to progressive organizational dynamics. Culture must be driven by senior leaders and may initially require a strong mandate from the top. However, mandates have no long-term impact and will actually be counterproductive unless lower levels in the organization are given incentives to cooperate. The alternative can be considered a strong incentive because it is extremely undesirable, but positive reinforcement such as a sense of satisfaction and contribution is far better.

- **Investigate outsourcing opportunities with care:** Outsourcing is a good idea when done right. As functions commoditize, outsourcing such tasks may make sense. Organizations must always embark on outsourcing with clear expectations from both parties, explicit terms and conditions, and experience. This last item is a clear strength of the outsource vendors because they possess more contract experience than do their customers.

- **Automate tasks that are standardized and repeatable:** A dependence on highly skilled labor to perform routine tasks is wasteful. Explore opportunities to automate these tasks (see Delta 2195). Organizations must not apply automation without a clear goal of enhanced process execution. ITOs are littered with automation tools that were purchased with poor direction, and these tools have become shelfware (i.e., owned and still paying license costs, but the software is unused).

- **Provide transition paths to help threatened tactical staff develop into more strategic roles:** Some IT operational roles will undeniably become commodities and fall victim to outsourcing or automation. Staff members in these roles must expand into more strategic purposes to ensure their own employment security within the organization (see Delta 2195). Some may be willing to transition to an outsourcing vendor if conditions are conducive to such a move. IT managers should assist and guide staff members through whichever transition is appropriate to business requirements and employees' career desires.

It is not too late for ITOs to redeem themselves. The secret is a change to traditional IT culture and the dismantling of destructive political practices. If these inhibitors are not removed, the future is grim.

Bottom Line

ITOs must accelerate cultural and political reforms immediately to shift operational maturity. The operational maturity gap is widening. Crossing this gap is currently feasible, but it will be nearly impossible within four to six years. The status quo will devastate most organizations and their people. By the time a crisis is identified, it may be too late to prevent the inevitable crash.

Business Impact: Many ITOs require drastic cultural transformation to offer true business value and relevance.

Figure 1 — Operational Maturity Divergence Forming a Broadening Gap