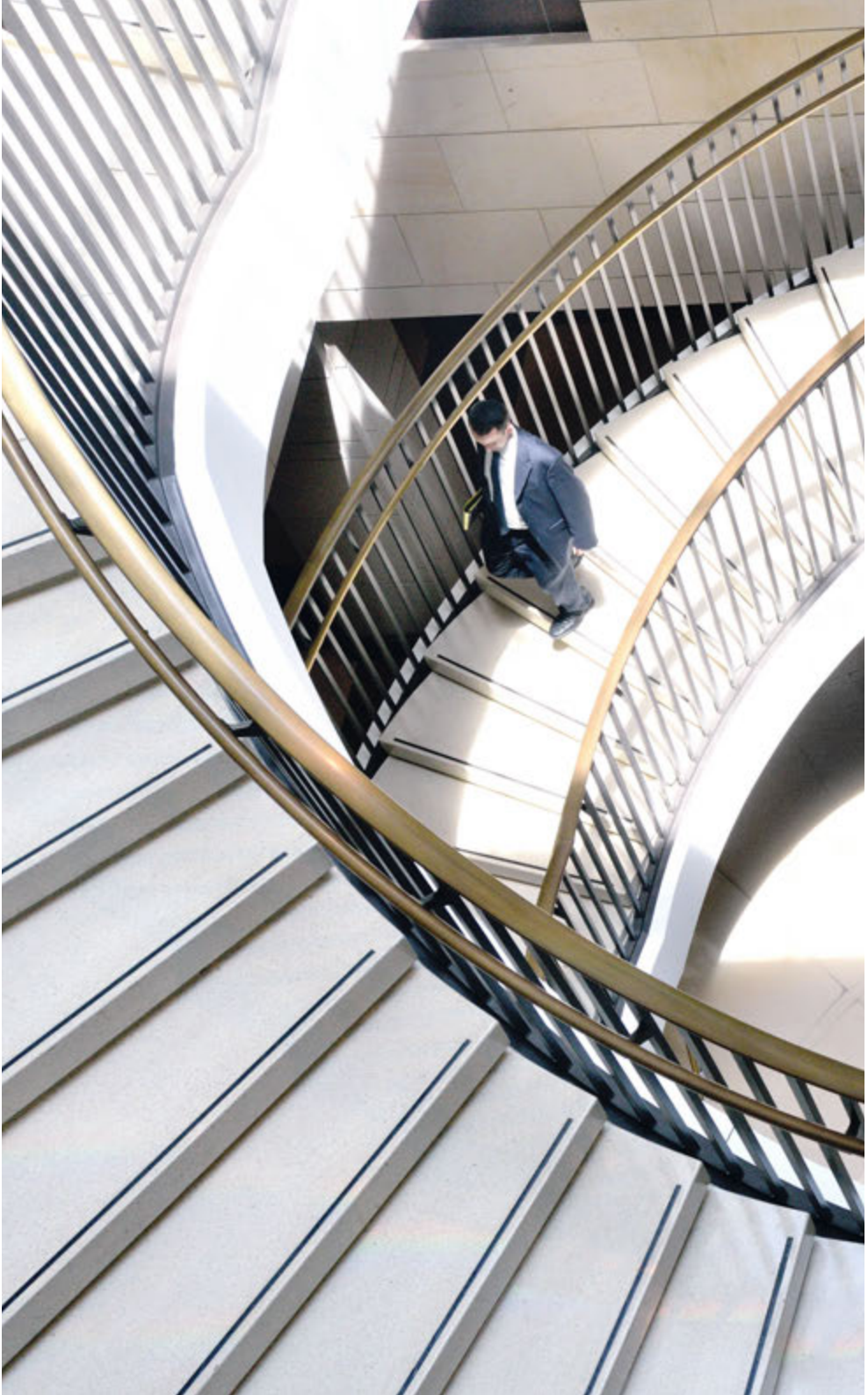
Disconnected: Why Fixing the Business/IT Divide Now is the Key to Survival

July 2014

pwc



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Point of view

Many financial institutions are suffering the negative effects of a disconnect between business strategy and the role of IT.

Market and business drivers are changing the way businesses view and leverage IT.

- Globalisation and growth in emerging markets are causing businesses to demand global IT support 24/7. At the same time, increasing competition is driving businesses to focus on time-to-market and lower-cost solutions.
- Technology advancements are making it easier for business units to adopt pre-packaged industry solutions over the Internet through cloud computing, thereby eliminating the need to work with IT to purchase hardware or install applications such as software-as-a-service (SaaS).
- Business unit staff are becoming more tech-savvy and willing to adopt new technologies without the support of the IT department.
- The economic downturn has put pressure on institutions to reduce costs as they move forward. As a result, internal IT budgets are becoming a smaller proportion of total IT spend.

Together, these factors are taking a significant toll on IT departments and the institutions they support.

- More and more, financial institutions are looking outside their IT departments for innovative technologies that can reduce costs and time-to-market. Some Fortune 500 companies are going so far as to eliminate their Chief Information Officer (CIO) positions entirely, with IT staff being allocated to business units to provide the units with more control over technology resources.[1]
- While well-intentioned, this approach may create technology silos, increase data fragmentation, cause confusion about IT's role, increase security and compliance risks, and decrease transparency across the organisation. The end result: financial institutions will find it more difficult to innovate, keep costs in check, adapt quickly to market changes, and achieve other business objectives.

[1] Bart Perkins, 'Disappearing CIOs,' ComputerWorld, January 10, 2011.

Today, financial institutions cannot win unless IT is aligned with the needs of the business. This is not a question of thriving – rather of survival.

In the current environment of high capital costs and increasing regulation, institutions without high-performing IT departments that are aligned with the business are finding it difficult to compete. For this reason, leading institutions enable their business leaders to play an active role in IT governance.

- IT governance focuses on aligning the IT and business strategies, driving strategy and objectives throughout the organisation, creating the organisational structure required to achieve strategic goals, establishing a sound IT control framework, and measuring the performance of the IT organisation.
- A well-crafted governance model improves collaboration between the business and IT, thus benefiting the entire organisation. The business units can leverage the big-picture knowledge that IT has amassed over the years, while IT can position itself as a valued business partner that brings a unique perspective by contributing insights and ideas beyond the technology realm.

While leading institutions recognise the importance of aligning IT with the business, they are in the minority. The industry has a long way to go in aligning IT with the business.

- In many institutions, business leaders view IT as a 'black box' because there is little transparency into the following: how IT operates, the services it delivers, and what drives the price it charges back to the business units. Further, business requirements and service levels are typically not well documented.
- According to a 2010 global IT governance survey, 62% of respondents indicated that the business was somewhat, rarely, or never engaged in IT governance.[2]

[2] 'The State Of IT Governance Q4 2010,' Forrester Research, Inc., February 24, 2011.

An IT realignment cannot be executed without input from the business. In leading financial institutions, IT and business leaders join forces to shape the new IT organisation.

By working together, the IT organisation can provide a unique perspective on business issues related to technology, and IT can benefit from the experience and insights of business leaders.

- As a result of working with various business units over time, the CIO and IT teams often have firm-wide visibility into what works (and, as importantly, what doesn't work) with respect to technology solutions.
- IT can provide business units with a wealth of insights and ideas aimed at increasing operating efficiencies while meeting ever-changing customer demands. This knowledge is particularly vital in financial institutions whose business units operate in silos.
- By communicating openly with business leaders and gaining a better understanding of their unique perspective, IT leaders will be more capable of developing technology solutions that are not only technically sound but also support the objectives of the business.

The IT organisation must be realigned to support the four key components of the business strategy: products and services, channels, customers, and risk and regulation.

To be relevant and valuable to the business, the new IT organisation must enable the business to:

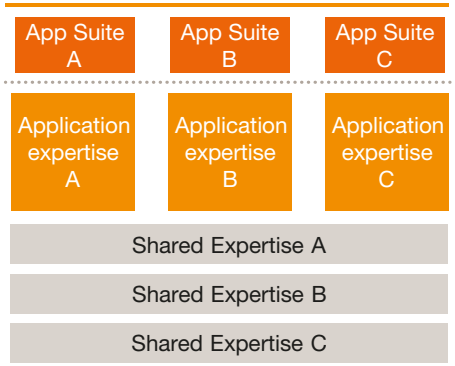
- Develop and launch innovative **products and services** to meet evolving customer demands.
- Allow customers to interact with the institution using their preferred **channels.**
- Put **customers** at the center of everything.
- Focus on better ways to identify and mitigate **risk**, and manage ever-increasing **regulatory requirements.**

Industry examples of leading organisational structures are illustrated below. In some cases, a hybrid structure may be an appropriate solution:

An appropriate IT organisational structure will support alignment with the business. When it comes to the choice of a structure, no one size fits all.

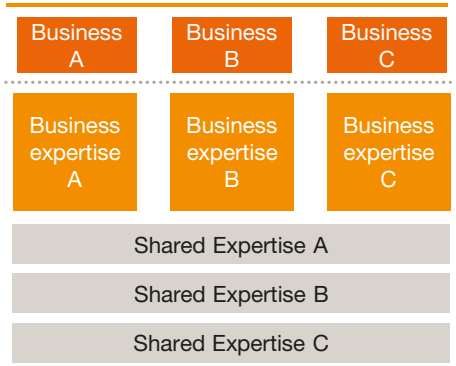
The choice of an IT organisational structure will depend on many factors, ranging from the size and geographic scope of the institution to its business strategy. Many institutions implement hybrid structures, combining elements of the predominant models in order to achieve the optimum alignment between IT and the business.

1) Application alignment



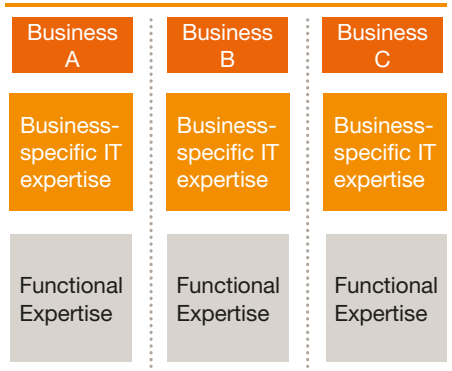
- The IT organisation is aligned with individual technology solutions.
- Expertise (such as business analysis, database management, and infrastructure management) is shared across the organisation, regardless of the solution.

2) Business-unit alignment with shared expertise



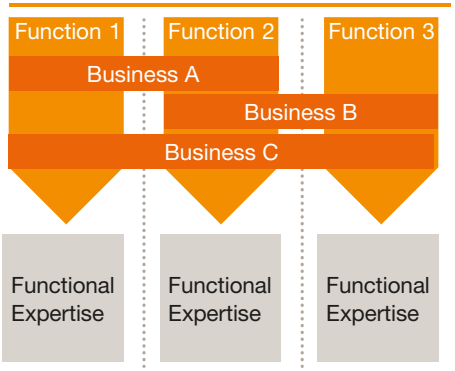
- Business expertise aligns with the business unit.
- Business-facing solutions are created and delivered based on the unique needs of individual business partners.
- Expertise (such as business analysis, database management, and infrastructure management) is shared across the organisation, regardless of the solution.

3) Business-unit alignment with embedded expertise



- There is direct alignment to the business, as expertise and resources are dedicated to each business area.

4) Functional alignment



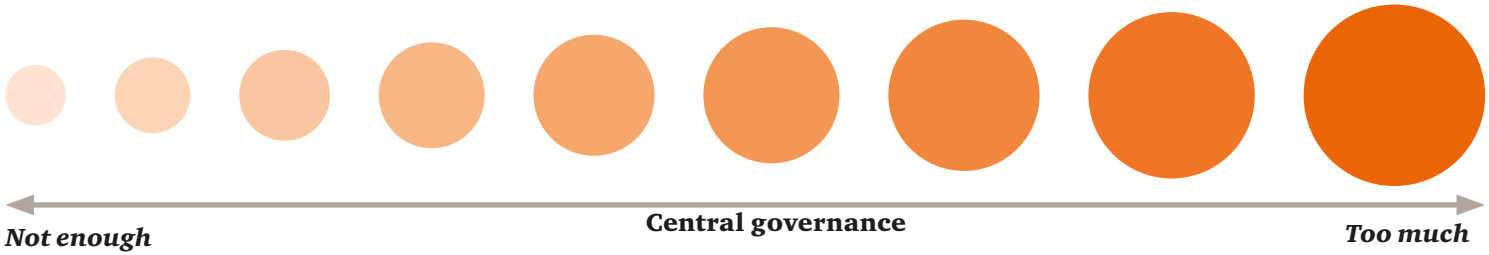
- IT is aligned to the business by solution function (such as Enterprise Risk Planning or Customer Relationship Management software).
- Business partners typically 'plug in' to the specific function needed to deliver business value.

Leading institutions are radically rethinking their IT governance models to improve collaboration across business units. Institutions that fail to change risk falling behind.

Striking the right balance between centralisation and decentralisation is key.

In our view, while there is no single tried-and-true method for fostering collaboration between IT and the business, an organisation's governance model directly impacts the alignment of business and IT objectives. Leading financial institutions strike the right balance between centralisation and decentralisation, weighing the unique needs of their business units against the benefits of standardisation, centers of excellence, and shared service centers (SSCs). A balanced global IT governance model supports clear decision-making, oversight, and visibility—thereby enabling IT to better understand business issues and challenges, and helping the broader organisation achieve its goals.

Implementing a balanced governance model can help organisations avoid the negative consequences that stem from having too much, or not enough, central governance.



- Costs rise because of duplicate efforts.
- IT environment becomes too complex to support because of application 'sprawl' and lack of standards.
- It is difficult to determine the needs of local business units and whether IT is meeting those needs.

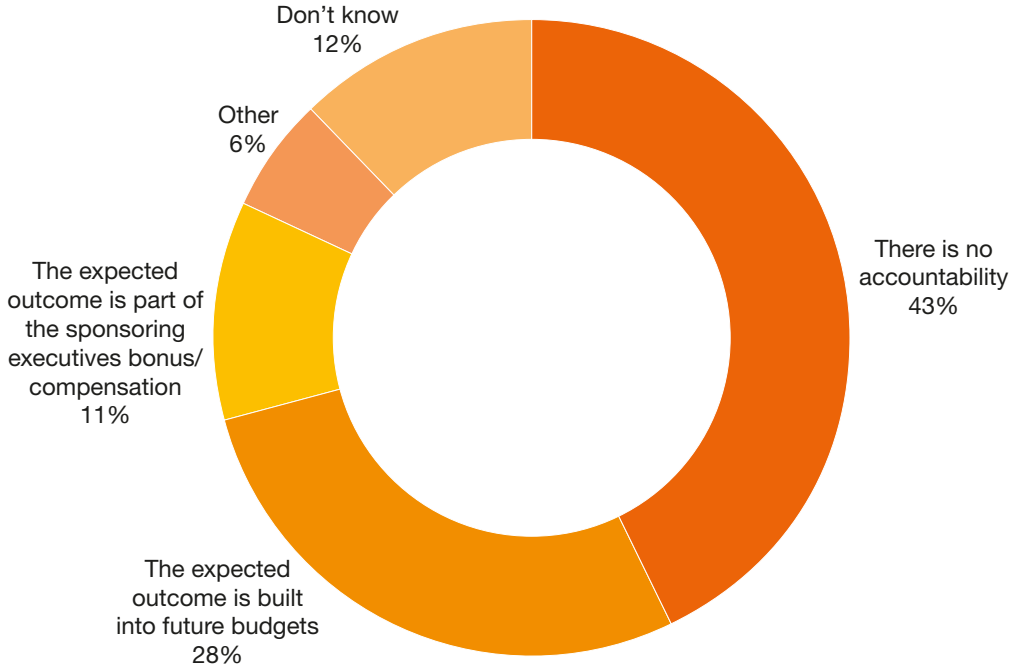
- Local IT staff may become frustrated and complain about bureaucracy.
- Local business partners/internal customers may become dissatisfied and search for help from external IT service providers.

Ownership of and accountability for IT investments and service levels are critical to the success of an IT realignment.

The absence of a consistent, credible process for measuring and communicating the benefits of technology investments raises a warning flag that IT operations have limited accountability and transparency.

In a 2010 survey performed by Forrester Research, more than half of respondents (all of them IT decision-makers) indicated that in their organisations either there was no accountability for IT investment outcomes or they did not know how accountability was managed.[3]

Question: How is accountability managed for the outcomes from IT investments?



[3] 'The State Of IT Governance Q4 2010,' Forrester Research, Inc., February 24, 2011

To increase the ability of the IT organisation to support business goals effectively, leading financial services institutions are establishing a standardised framework for ownership of and accountability for IT investments and service levels.

The framework leverages metrics and reporting, as outlined:

- Designated roles and responsibilities for IT services and outcomes.
- A systematic process for measuring employees' or business units' consumption of IT services, applications, and infrastructure.
- An impartial, timely practice of measuring the benefits realised from IT projects across lifecycle phases – from requirements gathering to development, testing, and deployment, to ongoing support.
- Consistent and accurate management reporting of IT resource usage, costs, and the benefits realised.

Following a systematic process helps to ensure that the newly aligned IT organisation will support the business effectively and that its performance will be sustainable.

Leading institutions are taking a phased approach to building a new IT organisation that is aligned with the business.

Phase 1: Assessing business objectives. Leading institutions take time to do the homework required to gain a clear understanding of the goals they are trying to achieve through IT realignment. This assessment involves three steps:

1. Determining which of the three primary organisational design themes appropriately reflects the institution's culture: operational excellence, customer intimacy, or product innovation. While a financial services institution may have characteristics of all three design themes, typically one theme dominates corporate objectives and culture. This is the theme that helps to define the organisation's brand.
   - ***Operational excellence:*** Provide consistent, repeatable services through (cost) efficient management and standardisation of people, processes, and technology, and effectively manage risk and regulatory compliance.
   - ***Customer intimacy:*** Select a few high-value niches in an effort to better understand and address customer needs.
   - ***Product innovation:*** Provide leading-edge products and services to customers, allowing them to use the channel of their choice.
2. Developing the business vision and objectives across verticals, products, and distribution channels.
3. Analysing the alignment of IT with business objectives, considering existing data architecture, technology, and areas of risk. An appropriate degree of centralisation is key. The end result is a clear definition of the company's IT strategy.

Phase 2: Designing the new organisational structure. During this phase, leading institutions define organisational relationships, roles and responsibilities, reporting requirements, and performance management metrics. The result is an IT organisational structure that is aligned to business objectives and the corporate culture.

Phase 3: Transitioning to the new model. A smooth transition requires the right groundwork to support organisational change. During this phase, leading institutions define their change management strategy and roll out a communications programme to educate employees about leadership's objectives and the new IT operating model. These institutions also evaluate their training needs across the IT organisation and develop needed training materials. Finally, they define the operating infrastructure and technology requirements and plan accordingly.

Phase 4: Continuously supporting and adapting as needed. Leading institutions recognise the need to create a systematic process for ongoing evaluation of organisational effectiveness, as well as processes for continuous improvement. And, since accountability is viewed as a top priority, these institutions designate accountability for scorecard results. During this phase they also confirm that the IT organisational structure aligns with the IT operating model.

Competitive intelligence

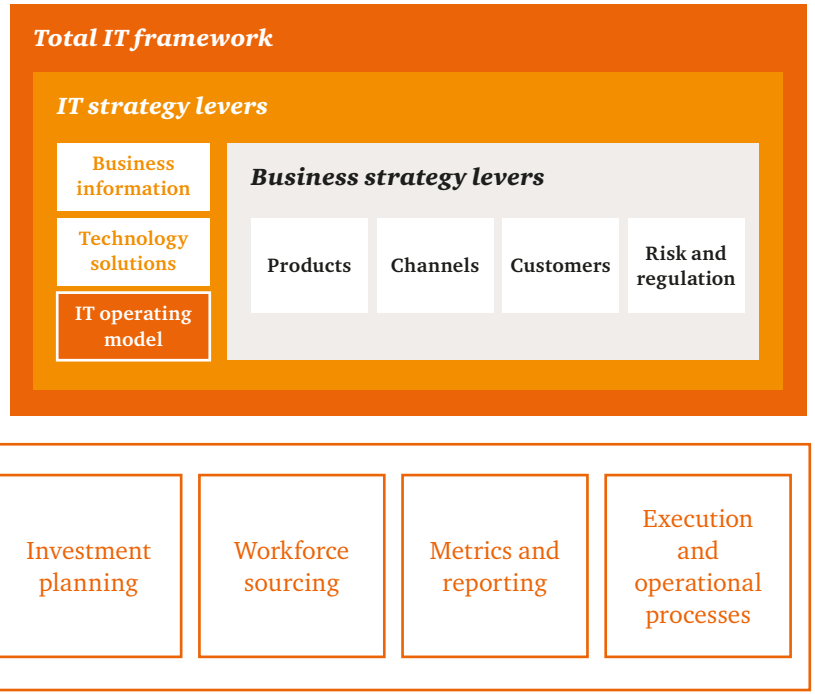
Financial services IT organisations are in various stages of adopting leading practices to meet the challenges driven by changes in market and business conditions.

Leading practice areas	Major retail bank	Large insurer	Leading commercial bank
IT organisation design and governance	From the perspective of business managers, the IT organisation is a 'black box'; however, IT is improving this perception by providing IT delivery managers to every project that involves technology. Consolidating common IT functions, the bank has established technology-focused centers of excellence (COEs).	Mostly decentralised among three major business units with limited governance, standards, transparency, and consistency in processes and tools. Roles and responsibilities are often confusing, causing duplication of efforts. Accountabilities are often unclear, resulting in large group meetings without tangible outcomes or solutions. IT infrastructure and end-user support operate as a shared IT function across all business units; however, because of disparate processes, there are daily challenges to meeting ad hoc demands and requests.	From the perspective of business managers, although there is a centralised IT group, the managers have limited visibility into the IT group process. Essentially, IT is a 'black box'. There are no IT shared services, because past attempts to create this had limited success. While communities of interest (a precursor of COEs) have been established, they are very loosely organised and have no influence.
IT organisation design and governance	Metrics are loosely gathered and are inconsistently reported across various lines within the IT organisation. IT execution is performed on a per-project basis, which causes challenges with project planning and resource forecasting.	IT implemented a balanced scorecard that allows a business view enabling key 'partner' conversations. Metrics are aligned in the following categories: financial, customer, operational, and employee. The company implemented run book automation for routine activities, allowing the carrier to deploy resources in value-added areas.	The bank uses strategy-driven metrics that cascade down into each organisation within the IT group. All metrics are related to the overall metrics of the IT organisation, which increases transparency to business partners. The bank launched an IT capacity planning function to deploy human resources based on critical need, specifically on project-based activities.

Leading On par Lagging

A framework for response

Establish an IT operating model to support the goals of the business.



As described in PwC's FS Viewpoint publication entitled *Rebooting Your IT Strategy: Using IT to Accelerate Your Business,* the Total IT Framework can help an organisation to better understand the relationship between IT and the entire business.[4]

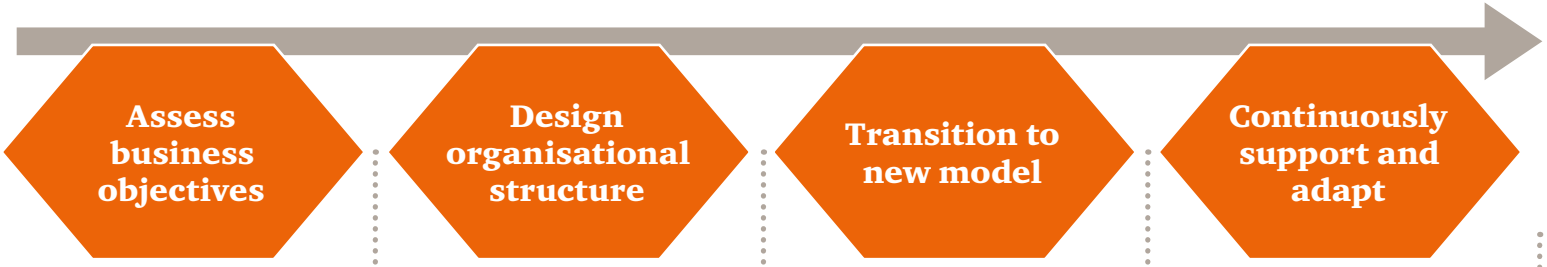
Key success criteria:

- Engage key business and IT stakeholders throughout the process to build alignment and focus.
- Collaborate with business leaders to identify business drivers and critical capabilities that are needed to address problem areas, and develop a consensus on the target plan.
- Identify and elaborate on critical capability gaps and develop target state requirements.
- Prioritise and rationalise the business drivers to IT capabilities throughout the process.

Once IT has established its strategy, it is ready to embark on the first step in the process of designing its operating model: IT organisation and governance.

[4] 'Rebooting Your IT Strategy: Using IT to Accelerate Your Business,' PwC FS Viewpoint, April 2011. www.pwc.com/fsi

Using a phased approach, create a realigned IT organisation that is based on the goals and needs of the business.



	Assess business objectives	Design organisational structure	Transition to new model	Continuously support and adapt
Purpose	Align IT strategy to the company's evolving business strategies.	Define organisational relationships, roles and responsibilities, and key reporting elements.	Provide employees with the communications and training needed to facilitate a smooth transition to the new organisational structure.	Create a systematic process for continuously evaluating organisational effectiveness and for adapting to changes as necessary.
Results for IT	• Clear definition of IT strategy.	• IT organisational structure aligned with business objectives and culture. • Key performance indicators (KPIs) and scorecard.	• Training materials. • Communications plan.	• Designated accountability for scorecard results. • Alignment with IT operating model.
Results for the business	• Collaboration uncovers new insights. • IT understands company's overall business goals. • Business units are more confident about IT's ability to deliver. • Up-front groundwork facilitates transition.	• IT is restructured to deliver operating efficiencies and cost benefits across the business. • Business is more involved in IT governance and gains transparency. • Disconnect is resolved.	• There is open, honest communication flow among players at all levels and functions. • Employees are knowledgeable about what is happening and what is expected of them. • Confident employees are focused and ready to do their part.	• Accountability spurs performance and delivery of quality services to business units. • Rewards incentivise desired behaviors. • IT is viewed as a business partner that delivers value across the company. • Competitive edge is likely to result.

Understand which organisational design theme appropriately reflects the company culture: operational excellence, customer intimacy, or product innovation.

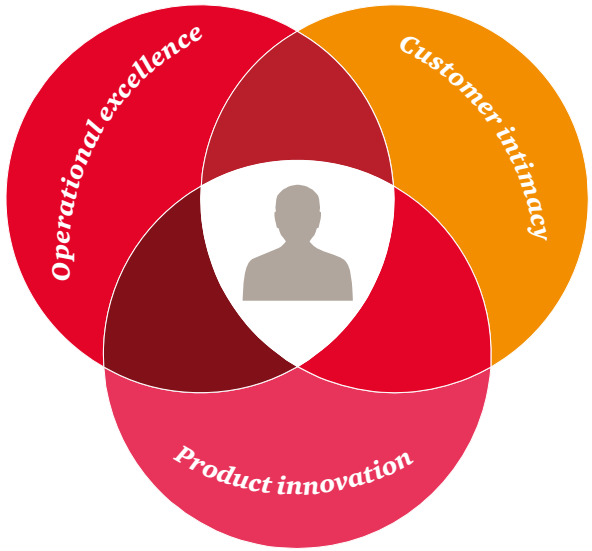
Assess business objectives

Assess the business vision and objectives across verticals, products, and distribution channels.

Many financial services institutions today leverage one of three primary organisational design themes, depending upon the type of product or service they provide and the organisational culture they maintain. The design theme drives IT objectives and standards for success.

While an institution may have characteristics of all three organisational design themes, typically one theme dominates corporate objectives and culture.

Provide consistent, repeatable services through (cost) efficient management and the standardisation of people, processes, and technology. Effectively manage risk and regulatory compliance.



Select one or a few high-value customer niches in an effort to better understand customer needs.

Provide leading-edge products and services to customers, allowing them to use the channel of their choice.

Analyse the alignment of IT with business objectives, considering existing data architecture, technology, and risk areas.

Once the design theme is understood, the IT organisation should consider how this will impact its technology infrastructure and workforce model.

For example, a financial institution with a theme of operational excellence likely will be better suited to a structure with streamlined back-office administrative functions, high-performance networks, and virtualised servers.

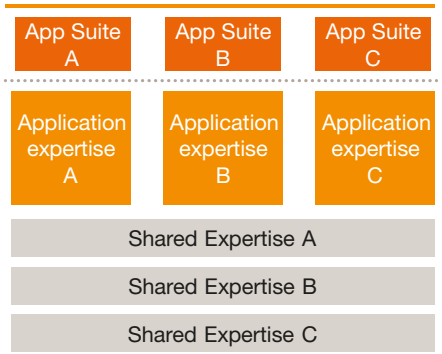
On the other hand, a financial institution that pursues a customer intimacy theme likely will have a more decentralised structure with a high degree of focus on partnering with the business and providing customised technology solutions.

Design organisational structure

Build an organisational structure that leverages leading industry examples

Evaluate the advantages and disadvantages of each organisational structure in light of business objectives and the dominant organisational design theme.

1) Application alignment



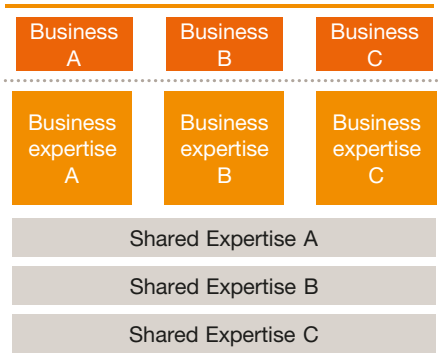
Advantages

- Shared service consistent across all application groups.
- Highly efficient solution/application development methodologies.

Disadvantages

- No direct business alignment and accountability.
- Likely to develop silos.
- Often multiple solution development methodologies.

2) Business-unit alignment with shared expertise



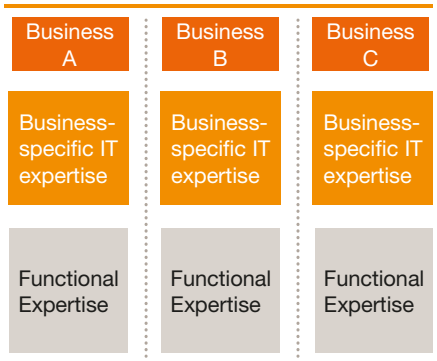
Advantages

- Supports vertically integrated business processes.
- Delivers economies of scale and scope.
- Clear accountability to the business.
- Business-aligned solution development.

Disadvantages

- Longer implementation time.
- Risk of inconsistent delivery.
- Siloed processes and technology solutions.

3) Business-unit alignment with embedded expertise



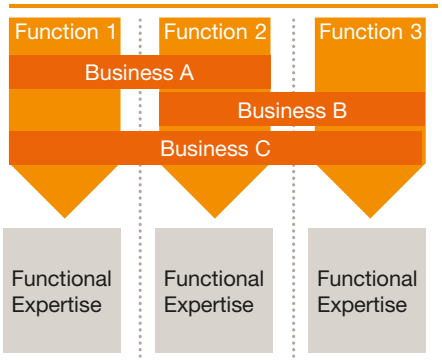
Advantages

- Strong business knowledge due to business liaisons and technology delivery teams.
- Ability to provide tailored services and products to meet line of business needs.
- Ability to deliver quickly to support the needs of the business.
- Emphasis on strategy and planning through dedicated leaders.

Disadvantages

- Most expensive model, does not achieve economies of scale.
- Difficult to manage processes across business units.
- Resources have specific business knowledge that cannot be shared across the organisation, creating redundancy.
- Limited innovation and idea creation capabilities.

4) Functional alignment



Advantages

- Standard planning and sequencing through a more streamlined forecasting and capacity planning group (by function).
- Manages horizontal integration of new business solutions.
- Supports ability to create economies of scale.

Disadvantages

- Not as responsive to business drivers.
- Aligns to process, not business.
- No clear accountability because of the matrix management structure.
- Difficult to understand.

Design organisational structure

Consider business objectives, organisational design themes, and industry leading practices when designing the organisational structure.

Key considerations in defining the organisational structure:

Roles and responsibilities

- Define roles and responsibilities for each area. Decision rights and role level accountability should be clearly articulated.

Metrics

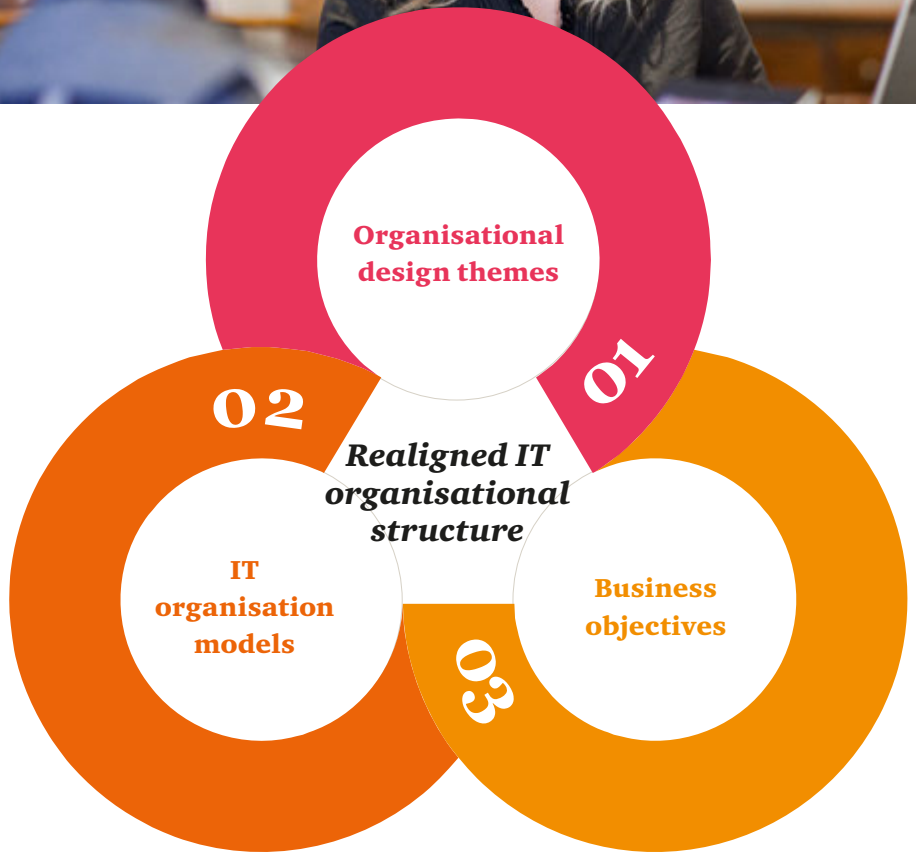
- Articulate performance measures that will drive the goals and define the success of each IT sub-group.

Communication and reporting

- Design communication and reporting processes that are aligned to the objectives of each sub-group. Formal upstream and downstream communication channels will promote open and honest communication among employees, sub-groups, management, and the business.

Rewards

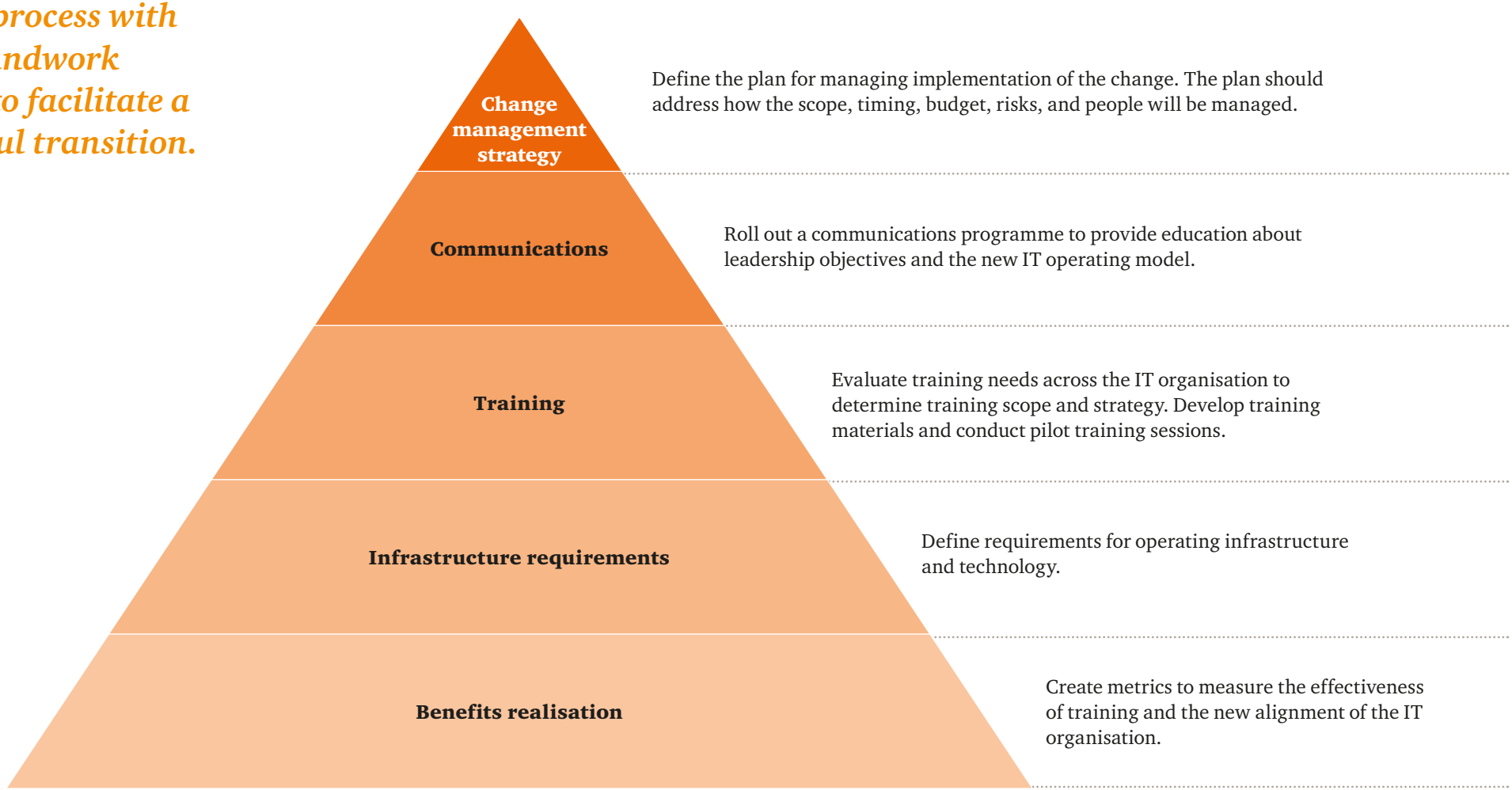
- Create rewards systems at the IT employee, group, and organisation levels to encourage desired behaviors.



Transition to new model

Support the organisational change process with the groundwork needed to facilitate a successful transition.

As with any major undertaking, having the necessary support structures in place will help to enable the success of the organisational change initiative.



Continuously support and adapt

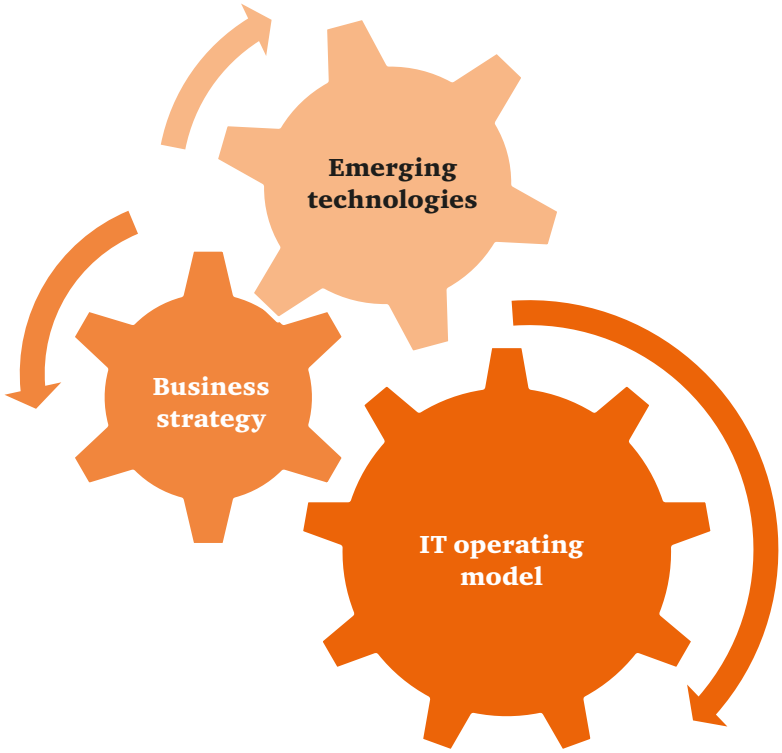
Adapt the IT organisational structure to changes in business objectives and the technology landscape.

Focus on the value that IT brings to the business, not just on the efficiency of IT operations.

The IT organisational structure should be adaptable to changing business and technology conditions in concert with other elements of the IT operating model. To maintain momentum, all changes and initiatives should be assessed against an agreed-upon set of KPIs for measuring IT success. KPIs should help drive a culture of accountability in which all IT investments are evaluated for their impact on business goals.

Bring it all together—make the organisational structure work with other elements of the IT operating model.

Investment planning	• Explore infrastructure and people investments that can help the institution capture strategic opportunities to develop a competitive advantage.
Workforce sourcing	• Investigate which functions would benefit from moving to a shared service environment or to external sourcing. • Assess potential legal, regulatory, and tax implications of global sourcing against expected benefits.
Metrics and reporting	• Develop a scorecard to measure the organisational effectiveness of the technology department against business and IT drivers. • Develop a service catalog to articulate and set a price on IT service offerings to the business. • Establish a transparent, systematic process for measuring the use of IT services by business units and for providing chargeback information to them.
Execution and operational processes	• Continuously improve consistency, accuracy, and timeliness across operational processes through shared service arrangements and centers of excellence.



How can PwC help

PwC has a specialised cross-functional group of technology professionals to assist our clients with IT strategy, organisational design, application development, and integration issues.

Integration of IT strategy with evolving business strategies

Integration of IT strategy with evolving business strategies

PwC's practice has a specialised cross-functional group of technology professionals to assist our clients with IT strategy, organisational design, application development, and integration issues.

Overall IT strategy	**Data management strategy**	Develop an information management strategy that aligns not only with business priorities, strategies, and goals, but also gives clear ownership of the data management strategy throughout the business. Simplify and standardise contrasting data models to provide consistent information across the organisation, allowing key information to be readily accessible to the proper parties.
	Enterprise architecture	Align IT integration initiatives with business goals. Assess current integration architecture that provides a clear application of standards and policies across business units. Provide a flexible, scalable enterprise architecture that supports and improves business processes and strategy. Provide guidance for the implementation, rationalisation, and optimisation of software that creates simplification and effectiveness in the enterprise architecture.
	Application development and integration	Provide visibility into the processes, business rules, and functions supported across the enterprise. Transform systems into a platform that is not only quick and cost effective, but also reduces requirements for systems development, applications, and resources. To help reduce risk in applications, react and modify processes and systems as a result of market and regulatory pressures.
	Data center and computing services	Align IT/business strategy with the data center facility strategy, and help set standards, principles, and methodology for infrastructure products. Develop an implementation plan, and provide an objective view that is independent of hardware and software selection. Develop a scalable, on-demand computer architecture that not only incorporates service levels that support the business, but also includes automated provisioning, and improves time-to-market.
	IT organisational design	Provide an increased level of coordination by leveraging resources among the departments within the organisation to create business innovation. Focus on the core business/high-value activities. Develop measurements and incentives that better focus on and motivate a desired behavior. Increase levels of customer satisfaction.
	IT risk management	Develop a framework for the management of IT risk, compliance, and security, which combines leading industry standards and is aligned with the firm's risk management framework. Establish controls, indicators, governance, and an audit mechanism to continuously measure and improve the level of risk to the business.
	Global sourcing advisory	Provide a detailed and consistent decision framework to assess global sourcing opportunities across the organisation. Develop a global delivery model based on leading practices and the organisation's culture and capabilities. Provide a detailed framework, leading practices, and key controls to help manage and improve the current sourcing model. Establish and manage, firm-wide, strategic vendor partnerships by identifying synergies among business units.
	Project portfolio management (PPM)	Assist in PPM through strategic resource management across the enterprise by adopting process change. Help ensure that change issues address governance and organisational design, as well as culture change. Measure process quality to facilitate effective management of processes through collaboration in workflow.

PwC is distinguished by the depth and the breadth of its professionals

PwC helps market participants to meet the challenges presented by a changing marketplace.

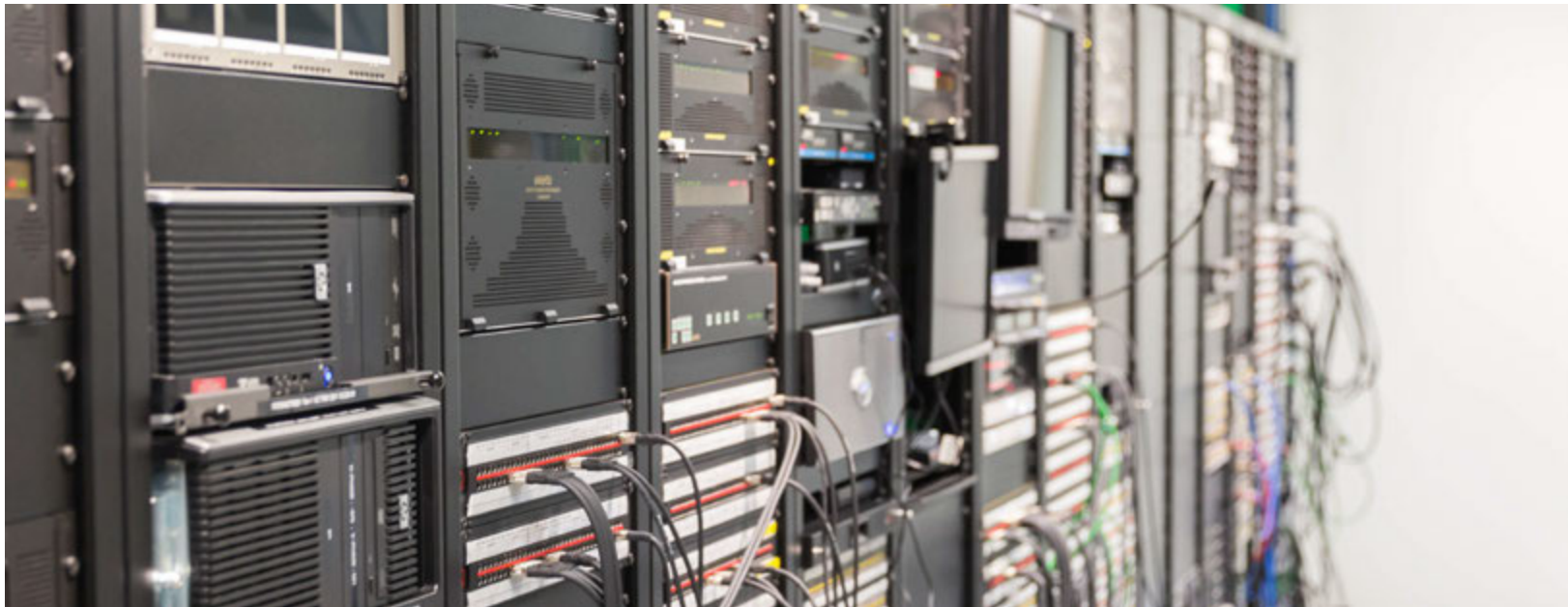
PwC provides industry-focused Assurance, Tax, and Advisory services to build public trust and to enhance value for our clients and their stakeholders.

PwC helps companies manage complex change programmes.

Our integrated solution offerings have been developed, proven, and continuously enhanced through our real-world client experiences.

PwC has experience in IT as well as business advisory and transformation services, from identifying problems, initiating strategies, and following through to implementing resolutions.

PwC has 8,000+ technology professionals who are providing IT and business advisory and transformation services—from strategy through implementation—to our clients across industries. PwC has access to two offshore centers in China and India (global delivery centers) with global delivery capabilities covering most leading technology solutions and platforms. In addition, 163,000 people in 151 countries across our network share their thinking, experience, and solutions to develop fresh perspectives and practical advice.



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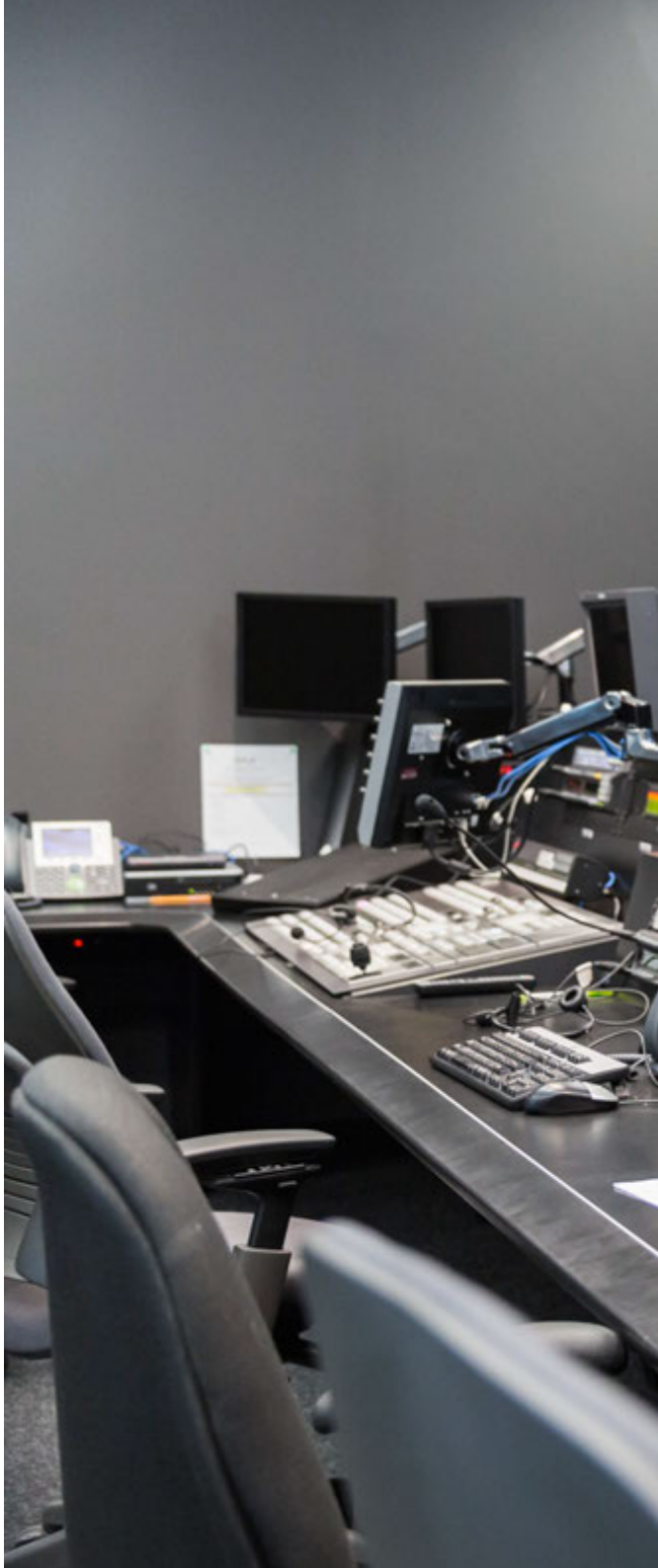


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Group IT Strategy and Operating Model Definition – UK General Insurer

Issues	The client is a large UK general insurer with global operations. The complexity of the client's IT environment had not been addressed despite significant investment, and the existing Operating Model was deemed sub-optimal due the inefficiencies and misalignment between the Group and Regions. As a result, the client was dealing with increased IT cost, risk and complexity and there was an overwhelming desire from the client leadership to 'break the cycle'.
Approach	PwC assembled a multi-disciplinary and cross-regional team and worked with the insurer's Group CIO to: • Define the future state Group IT Mandate (i.e., identify areas that can be consolidated under the Group function). • Develop a Target Operating Model and governance principles for the Group IT function. • Identify the right incentives to enable realisation of the future Group IT Strategy and Operating Model. • PwC collaborated with Business and IT leaders across the organisation to build consensus on the current state challenges and options for the Target Operating Model.
Benefits	As a result of this engagement, the client was able to have: • A consolidated and comprehensive picture of the challenges within the IT organisation (for the first time) and the root causes of those challenges (both at a Group and Regional level). • A new Vision for the IT organisation and a Target IT Operating Model to overcome current state challenges and realise the newly developed Vision. • A 'one-touch' value-led Governance Model that provides insight, drives accountability, and positions better alignment between the Regions and Group. • A prioritised set of opportunities that position the client to 'break the cycle' in IT Spend and deliver a sustainable, cost effective IT capability.

Post-merger IT organisational redesign – Major retail bank

Issues	The client's IT group, which had been restructured to better align vertically with business partners, was faced with the challenge of integrating application management teams following the bank's merger with another large bank. As part of this effort, the client wanted to obtain an external perspective on its new post-merger organisation as well as recommendations for potential changes.
Approach	PwC provided assistance in the following areas: • Assessed the organisation's strengths and weaknesses through primary interviews with line-of-business leaders and business partners. • Evaluated data architecture, technology, and operating models across products, channels, customers, and risk dimensions. • Conducted a financial comparative analysis on investment allocations for the business areas and identified potential areas for increased investment. • Identified emerging technologies as potential enablers of strategic business objectives that could be followed for the next five years, and provided recommendations for the staff to acquire specific skills. • Reviewed the project management process (PMP) and evaluated it against industry-standard PMPs. • Helped to develop the operating and governance model for the new PMP, which entailed consolidating project management teams into a single organisation and developing a roadmap to merge systems and data repositories.
Benefits	The client implemented the recommendations from PwC. The results have been impressive. The client has increased project throughput by 20% and has aligned as a true business partner. Based on current survey results management now believes that the new technology supports effective solutions.

IT data center consolidation and organisational model redesign – Large insurance company

Issues	The client, the Chief Information Officer (CIO) at a large insurance company, was in the process of consolidating the company's multiple data centers into a co-location and a single internal data center. Following the consolidation, many positions that had been outsourced to service providers would be managed in-house. The client needed assistance developing a new organisational model to manage the restructured data center operations effectively.
Approach	PwC developed both a functional model and high-level organisational model that identified critical roles required to manage the new environment. PwC prioritised roles by criticality and required job descriptions for each role, including expected roles and responsibilities, required skills and education, and years of experience in specific fields. Finally, PwC interviewed resource and technical managers to compare current organisational roles to the target state and provided an assessment of IT's maturity level. PwC then created a resource and training plan to develop employees' current skills so that they could provide the needed support in the new data center structure and operations.
Benefits	The client received a target state operating model that met its vision for completely in-sourced data center operations. Additionally, the client received a list of critical roles and skill sets, a resource plan, and an 18-month roadmap to reach the desired target state. After the client implemented the recommendations there was an increase in collaboration between the IT organisations. This provided the ability to quickly close production issues and allow IT to set aggressive production support service levels for the business. The client was able to decrease the ramp up time for projects and begin their execution.

Transformation of the IT organisation into a service center – Leading bank

Issues	The IT organisation of a large bank was preparing to implement two new data centers using a new framework for managing technology design and encouraging appropriate technology use. The client needed a catalog to help its customers understand the bank's service offerings and associated costs. The IT organisation also wanted to help its internal customers manage IT costs effectively while it developed a sustainable pricing methodology.
Approach	PwC helped the client develop the service catalog and related interfaces for service providers, customers, and management. PwC created the concept for an architectural framework that would support service offerings and service management data capture and reporting. PwC then established detailed functional requirements, enabling the client to thoroughly evaluate implementation options for its service catalog enhancement and deployment. As soon as a framework and functional requirements were developed, PwC helped to transition the IT organisation from a product focus to an infrastructure services focus. To achieve standardisation and reduce costs for the client, PwC also supported the organisation's plans to move data center operations from a dedicated to a shared platform. PwC brought a broad population of managers into the process as stakeholders and helped them to refine key messaging as their catalog concept evolved into a self-service solution. Finally, PwC created a set of work products for the IT staff, producing a roadmap to support the development of the service catalog as well as more sustainable pricing and chargeback methodologies.
Benefits	With the help of PwC, the client developed a service catalog and customer self-service interface that increased the efficiency and effectiveness of the IT organisation. The new catalog allowed customers to choose from strategic, standardised services with limited options for customisation. The IT function also gained new pricing and chargeback methodologies, which put it in a better position to fund innovative technologies and gave the company the potential to differentiate itself in the marketplace.

Transformation of IT and Operations – Global investment bank

Issues	Shortly after a global investment bank with more than 10,000 employees and annual spending of more than$3 billion acquired a competitor, it embarked on the following: The IT and Operations departments initiated a programme that covered cost reduction, organisational realignment, and service and solution quality improvement. The client requested an assessment of the current state of the IT and Operations organisations to identify key transformational and cost-reduction opportunities.
Approach	PwC provided assistance in the following areas: • Assessed the current environment across client verticals, products, and distribution channels; conducted more than 400 interviews, collecting HR, financial, and benchmark data covering systems and personnel. • Created key transformational and cost-reduction opportunities designed to achieve targeted savings, by analysing the following: current environment, interview feedback, competitive intelligence, and industry leading practices. • Developed recommendations for the target operating model, with an organisational structure and a common global location strategy for the entire organisation, including: – Consolidation of select functions across back office, middle office, and IT. – Establishment of a plan, build, and operate (PBO) model that is common across development teams. – Development of a center of excellence and shared services for functions across development teams. – Implementation of an offshoring/nearshoring model to support the IT and Operations transformation. • Scoped initiatives for potential further evaluation in subsequent phases of the programme.
Benefits	With PwC's help, the client was able to identify a series of actionable initiatives, bringing more than $450 million in cost savings over two years as well as other benefits such as organisational and service delivery efficiencies. PwC also assisted in making suggestions to the CIO of each technology group, and helped the client launch of workstreams covering the detailed planning of key initiatives.

Strategic roadmap to support growth – Major bank

Issues	A large bank's IT organisation wanted to enhance its ability to facilitate organic growth by delivering higher value (in terms of speed, cost, quality, risk, etc.) to the bank's customers, shareholders, and associates. The client retained PwC to help develop its vision, target state, and a roadmap for IT to support this business objective.
Approach	PwC provided assistance in the following areas: • Conducted workshops with key stakeholders to develop overall three-year goals for IT to better support the business in terms of performance, cost, and risk control for products and clients. • Guided the client's strategy team in formulating a vision of its target state across the dimensions of data, systems, infrastructure, and people. • Assisted in the development of a conceptual framework for each of the dimensions. • Facilitated the development of a gap analysis between target and current states for data architecture, systems, infrastructure, and risk. • Helped to develop a framework for IT operating and control processes, which aligned with the objectives of the bank, was consistent within the bank's organisational structure, and took into account the bank's culture. • Detailed the framework down to the changes required at the procedure level. • Helped to define a high-level roadmap for the development of key IT capabilities, including an outline of the business benefits. • Assisted in communicating the strategy throughout the organisation.
Benefits	The framework for IT operating and control processes became the foundation for a firm-wide cultural and structural change led by the project's sponsor. A significant outcome was the establishment of a method for IT executives to collaborate on core initiatives, thereby enabling agile execution and support.

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‘Disconnected: Why Fixing the Business/IT Divide Now Is the Key to Survival,’ PwC Viewpoint, July 2014. www.pwc.co.uk

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