



The value of IT operating models

by Mark Smalley

How can an operating model help you improve your way of working?

People often talk about IT operating models, but what do they actually mean when they say, for instance, “we need to transform our IT operating model”? The term is poorly defined and loosely used, so caution is advised. Let’s take a closer look at what an IT operating model is, and how it can be used. It’s good to remind ourselves that a model is by definition not reality. It is a representation of something, not the thing itself. The power of a model is in its abstraction, which means that certain elements have been emphasized, and other elements left out. This makes it imperfect.

As the statistician George Box said “All models are wrong, but some of them are useful”.

Business models and operating models

Before we look at an IT operating model, let’s take a couple of steps back and look at business models and operating models in general and then how they can be applied in the IT domain.

A popular framework for business models is the [Business Model Canvas](#) (Alex Osterwalder and Yves Pigneur). This describes the anatomy of a business in terms of its key activities, resources and partners; the value propositions that the organization offers; the customer segments, delivery channels and customer relationships; and the cost structure and revenue streams.

The [Operating Model Canvas](#) (Andrew Campbell) builds on the Business Model Canvas, refining Osterwalder’s key activities, resources and partners in terms of six elements: processes, organization, locations and assets, information and information solutions, suppliers, and an underlying management system (abbreviated as POLISM).

Campbell defines an operating model as the “back end” of a business model. A business model describes how an enterprise creates, delivers, and captures value and sustains itself in the process, and the operating model is the part of the business model that describes the creation and delivery of value. An operating model is a visual representation

1 | Wikipedia: Root Cause Analysis

2 | A Leader’s Framework for Decision Making - Harvard Business Review, <https://hbr.org/2007/11/a-leaders-framework-for-decision-making>

(i.e., a model) in the form of a diagram, map, chart, or collection of diagrams, maps, tables, and charts that illustrates relationships between elements of an enterprise of the organization that are important for delivering the enterprise's value proposition(s), and how these elements combine to successfully deliver the value proposition.

So, what this gives us is a useful list of the types of 'artifacts' that you'll come across in an organization. When we talk about organizational improvement or transformation, we are referring to change to these artifacts and how they interact. It can be used as a checklist to assess where change needs to be applied.

This is, of course, all very abstract. At this level, we are just talking about processes in general, but when somebody says "I have improved my operating model", they are referring to improvement of specific processes, such as order intake. We therefore have to make the distinction between a generic framework for a business model or operating model, and specific 'instantiations' of a business model or operating model in an organization.

IT operating models

As mentioned in the introduction, the term "IT operating model" is poorly defined and loosely used. This was the reason why the IT4IT Forum (part of The Open Group) decided to write a white paper "[Defining the IT Operating Model](#)". They based this definition on the Operating Model Canvas, replacing the generic 'POLISM' elements by the IT equivalents:

- **IT processes** – the workflows or value streams that enable IT to deliver the value propositions
- **IT organization** – people, their skills, professional identities, roles, responsibilities, and accountabilities; structure of the value streams and cross-organizational processes; culture
- **IT locations** – locations (an important aspect to consider is the co-location of IT and business); assets such as buildings, machinery, and intellectual property
- **IT information** – information that supports the IT processes; information solutions that provide the information – IT services, IT systems; e.g., applications, data, infrastructure (hardware including networks, systems software), facilities (electricity, cooling, etc.)
- **IT suppliers** (external parties supporting the work of the IT organization) such as product vendors, partners, and service providers
- **IT management system** – calendar of processes and meetings for planning, setting targets, making decisions, driving improvement and managing performance; scorecard for measuring progress including delivered value (outcome)

Note: Governance of IT is addressed in IT organization (accountabilities, decision rights) and IT management system (decision forums and scorecard). Strategy is also addressed in IT management system, covering strategic planning, business planning, target setting, performance management, continuous improvement, risk management, and people assessment processes. These management processes are not part of the "Processes" component that describes the value streams.

These artifacts are deemed to be the major parts of an IT function. Together, they produce the IT services from which the users derive information for decision-making in business processes.

IT operating models and industry guidance

In addition to being used to model the current or desired state of an IT function, an IT operating model framework such as this can also be used to assess the value of industry guidance such as Agile, COBIT®, DevOps, IT4IT™, ITIL® and Lean. Which of the six IT operating model elements (POLISM) are addressed by the various bodies of knowledge? Do they just focus (as many do) on improving processes, or is there any guidance how to improve – for instance – culture (a part of organization)?

Other aspects to consider when assessing the value of industry guidance, is whether it:

- Is intended for the IT service provider or the IT service consumer
- Is aimed at the practitioner, manager or improver
- Describes the desired IT operating model or how to transition to the desired state

A word of warning. Reducing the complexity of organizational change to a simple model satisfies the human craving for the illusion of certainty. But we must learn to accept and live with ambiguity, applying mixed methods that recognize the diversity of situations in our organizations. Sometimes we know our goals, needs, priorities, hypotheses, requirements, resources etc. Oftentimes we don't. One size doesn't fit all - sometimes a solution doesn't even work twice because the situation has changed. We must be aware of our deeply ingrained manufacturing metaphors and resist the temptation to engineer an organization. Ecology is a better metaphor than engineering.

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