It's Time to Get Rid of the IT Department

It made sense in a bygone era, when technology was separate from the business. Now it just hurts both.

Some companies are moving toward distributed networks of tech expertise and knowledge throughout their organizations. Illustration: Michael Parkin

By Joe Peppard

No man is an island. And the IT department shouldn't be one, either.

Despite their mission, which often talks about driving corporatewide innovation and digital transformation, chief information officers, as heads of these departments, are frequently reduced to running a metaphorical island. Just look at any organization's structure, and you are very likely to see a rectangular box labeled IT, with its own management hierarchy and budget.

But here's the sad fact: Having an IT department is exactly what will prevent companies from being innovative and digitally transformed.

That's because IT departments are for a bygone era that is ill-suited to the demands of a digital-first world. We all love to complain about our IT departments—blaming the people in them and their leaders for living in their own worlds, and for being unresponsive to business needs. But our complaints are misguided. The problem isn't with the people or the leaders. It's with the whole idea of IT departments in the first place, which sets up IT to fail.

The encouraging news is there are also a small number of pioneers who are ditching their IT departments. And their examples offer models for others looking to do the same.

Computer departments
To understand how we got here, it helps to remember why IT departments came into being. Originally known as the "computer department," they had a strictly back-office function, making sure the organization's computers kept running.

That made sense when there was business, and there was technology. Today, while the departments may have chic new names ("global digital solutions," anyone?), the idea of corralling all staff with knowledge and expertise deemed necessary to manage IT into one organizational unit no longer makes sense. Leaving IT decisions and activities to a department that is figuratively and sometimes physically far from the so-called core business is a recipe for disaster.

After all, technology is no longer an option, something distinct; it is a competitive necessity. Covid-19 has only reinforced the fact that most organizations can't survive without tech. It is deeply fused with the work of staff, a core enabler of business models, and driver of customer experience.

The problem starts with what I think of as the "partnership engagement model," which is a natural outgrowth of having a separate IT department that is promoted as a *partner* to the "business." While intuitively appealing—who wouldn't want to be seen as a partner—this model positions the IT island as a supplier, mandated to build IT solutions and deliver services to the mainland. And it inevitably means that the metrics by which the IT department is measured are often irrelevant to the success of the business.

Imagine you're the head of manufacturing. Your responsibilities are very clear: If an order comes in from a sales team, you can look at your plant capacity and see if you can fulfill it or not. If you can't, you look at how things can change so you can meet the order. Late with a promised delivery to a customer? This will be the fault of your logistics colleagues. Badly made products coming off the production line? That's your job to fix.

That kind of logic exists for all areas of a business. It may not be perfect, but it works. Except, that is, with technology. Go to most IT departments and ask how they are measured, and it's almost always inputs—money they have spent, systems that don't break down, or projects that come in on time and on budget. But there's almost nothing about the contributions that technology is making to business *outcomes*.

In other words, deploying technology on time, on budget and meeting the specs—which the partnership model is really designed for—doesn't correlate with success. The value a business gets from technology doesn't come from its possession. Success isn't about building and managing IT systems.

Crystal ball
The partnership model also assumes that it's possible for the various corporate units to define upfront and many months in advance exactly what they will need from the IT department. The assumption is reinforced by the demands of the traditional yearly budgeting process. In building the case for funding, requirements must be specified, and estimates have to be made about how long the required work will take and how much it will cost. But that process assumes requirements can be predetermined, and that nothing will change before the work gets done.

That isn't how the world works in today's fast-paced digital world.

Imagine a customer-focused marketing department that has to put in a proposal for funding in September or October to be able to get on the IT department's calendar for the following year. The fact is that a marketing department—or any department—has no idea what it will need, especially for technology that it uses in engaging with customers or creating digital products. That's because customers don't know themselves what they'll need six or 12 or 18 months in advance, or whether a new product feature will address the job that needs to be done.

Sure, you can say you want the IT department to be faster and more flexible. But having the department in a silo makes that almost impossible.

Finally, you need to consider the mind-set of the people working in an IT department. Most aren't doing it because they love manufacturing or insurance or banking. They are doing it because they love tech. In that way, the separate IT department only reinforces that mind-set, exacerbating the culture gap. There's technology and then there's the business. But that has it all wrong: These days, the business *is* the technology and the technology *is* the business.

Pioneering companies
Fortunately, there is a better way. I have worked with several companies that are moving to get rid of their IT departments, instead making IT part of every business unit. At these companies, the leadership team is working from a design premise to realize value from IT as opposed to one focused on managing IT. While this might seem subtle, it represents a profound shift. As one chief information officer told me: "In three to five years everyone will work in IT."

Of course, if you have your own data centers, on-site servers and software, you will need specialists to manage all this tech. This was the original objective of the IT department. But with cloud computing and other technology innovations, having hardware or software physically on-premise is no longer necessary.

Moreover, how we build software today has radically changed, too. For example, low-code/no-code software development platforms allow employees to drag and drop application components, connect them together and create mobile or web apps without programming skills. It's another function of the old IT department that is no longer necessary.

Consider a European mobile-only digital bank I've worked with. As the CIO of the company says, not having an IT department means that you never need the phrase "the business."

"The massive schism between the business and IT camps is what we try desperately not to let exist or develop," he says.

By setting up a structure that organizes employee groups around missions such as business banking, payments and marketplace, the company is able to embed technology know-how in each of these areas. Leaders can ask themselves a simple question: How do we harness the capability of technology to achieve our particular goals? In doing so, it frees them to use technology in whatever way works best for them.

This autonomy/accountability combination gives employees a strong sense of ownership and motivation. Teams have the resources they need, and while this can sometimes result in redundancy, it is something the bank is prepared to accept. Nobody has to wait for the IT department to approve their request.

Guardrails needed
It's important to note that this doesn't mean anybody can do anything when it comes to technology. Decentralizing technology also requires some centralization. This bank has defined guardrails—everybody has to use, for instance, the same security protocols, software-programming languages, and conform to a prescribed architectural blueprint when building digital products and solutions. But within those guardrails, employees have the scope to do whatever is necessary to get the job done.

As the chief operating officer of an energy company that is doing something similar told me: The objective is to create "freedom within a framework," giving staff the canvas and the paint but leaving it up to them to decide what they paint and how.

What the bank and the energy company and a handful of other organizations have realized is that segregating IT makes it nearly impossible to have the agility, speed and flexibility that customers demand. It prevents companies from getting the best out of all workers, forcing them to have competing missions and competing mind-sets. It makes it more likely that they will end up producing solutions that address problems that no longer exist.

Instead, they believe, the most successful organizations need what is effectively a distributed network of pools of tech expertise and knowledge. They are working to embed tech people in each department—staffing each department, and even each team within that department, with a combination of people with business knowledge and people with technology knowledge. This fuses work relationships across internal teams to enable faster decision-making, greater visibility, and shared ownership. And no handoffs to slow down work.

None of this will be easy. Companies have to figure out how to allocate and deploy IT resources in a new, decentralized world, when different groups' needs can change from month to month. There also are a lot of vested interests in maintaining the status quo. Senior executives will need to acknowledge that they themselves are often part of the problem, and that when it comes to the digital world, many don't know what they don't know.

Once they do see that, though, the way forward will be clear: Organizations need IT. But they almost certainly don't need an IT department.