



STOPPING THE YO-YO

WHY DECENTRALIZED CENTRALIZATION IS THE KEY TO CUTTING COSTS AND BUILDING A MORE EFFICIENT AND FLEXIBLE BUSINESS

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ABSTRACT: This whitepaper sets out the 1E view of how organizations can blend the benefits of both centralized and decentralized approaches to IT management, resulting in reduced costs, greater business agility and happier, more motivated users.

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Contents

The president of the Internet	3
The yo-yo effect.....	4
Centralized decentralization.....	5
Practical possibilities.....	6
References	9

The president of the Internet

Whether we're looking at a Fortune 500 company, an army, or a community,
our natural reaction is to ask who's in charge?

Ori Brafman and Rod Beckstrom, The Starfish and the Spider

In *The Starfish and the Spider*, Ori Brafman and Rod Beckstrom conclude that decentralized organizations, that empower their employees through greater collaboration, communication and coordination, will ultimately triumph over centralized, more controlling companies.

The book begins with a comparison between a spider and a starfish. At first glance, a spider and a starfish may look similar. A spider has a body, a head, and many legs. But if you cut off the head of a spider it dies. The spider represents a centralized organization. In a centralized organization, if the leader is killed the organization will fall apart. In a centralized organization one person, ultimately, makes every decision.

A starfish, on the other hand, has many legs but does not have a head. A starfish is decentralized. You cannot cut off the head of a starfish. If you cut a starfish in half, you will end up with two starfish. The starfish is the model decentralized organization. In a decentralized system, there are many decision makers.

And decentralization does work in practice. The Internet itself is a prime example - it works because the content, the domain name system and the routers are radically distributed around the world, and because no one person is in charge – this is no CEO or president of the Internet.

Decentralization allows organizations to take advantage of a division of labor by sharing decision-making across the organization. It also empowers employees and allows them to improve their performance by being able to act on their own initiative to improve deficient or inefficient areas immediately without approval from the top of the organization. Another advantage of decentralization is in allowing the managers or administrators of business areas to actually use their first hand knowledge and experience (be that of a particular geographic region or specific function) to improve their areas of responsibility.

When leaders think about reorganizing IT, they usually start with the assumption that they have two options: To centralize or to decentralize. Of course, in the real world, marketplaces are too complicated to be served by either one or the other of these two extremes. Organizations architected to run like either a central Soviet economy or a volunteer cooperative are destined to fail.

So instead of starting by deciding on a structure, why not start by deciding who gets to make what IT decisions. If done right, you can get the best of both worlds: In effect, decentralized centralization.

The yo-yo effect

"We tend to meet any new situation by reorganizing; and a wonderful method it can be for creating the illusion of progress while producing confusion, inefficiency and demoralization."

Gaius Petronius Arbiter (Roman Satirist)

IT has tended to yo-yo between centralizing, then decentralizing and re-centralizing again, which some people compare to rearranging the deck chairs on the Titanic. This trend never seems to go away; it just advances and recedes in an irregular cycle.

Most reorganizing efforts are conceived behind closed doors; they usually lack input from those individuals most affected (usually the users themselves) and they tend to be politically motivated. The need to command and control often obscures the need for greater collaboration, communication and coordination.

Arguments supporting centralization focus on coordination, standardization and consolidation of equipment, processes and software. Centralization also enables the creation and execution of a shared vision of how IT should support and drive opportunities and growth. Centralization can provide significant economies of scale, reduction of redundancy and improved management efficiencies.

At the same time, arguments supporting decentralization center on allowing business units to make autonomous decisions about user-related requirements. One of the most contentious areas between IT and the business community has focused on the inability of IT to understand and fulfill business requirements. This is exemplified in recent years by business unit's independently pursuing application, e-business, supply chain and outsourcing strategies that have traditionally fallen within the IT domain.

As well as the perceived benefits, both approaches have issues too. Centralized control can quickly become a slow, cumbersome bottleneck to business, where decisions can take weeks or even months, as users begin to regard IT as 'big brother', and as a department to be feared, ignored or worked around in an effort to do business because their needs, or the needs of their business unit, are frequently ignored or sidelined in favor of other IT-favored projects.

But too much decentralization can lead to inefficiency and spiraling costs. Recent examples cited in a Gartner report include laptop security software licensed for every employee in the business, while fewer than 25% of employees had laptops, and e-procurement software licensed for everybody in the business, but only deployed in the U.S., with thousands of unused seats in Europe and the Asia/Pacific region (which had deployed a competitive solution)¹.

As both users, executives and IT teams all tire of the yo-yo effect, they are beginning to look for solutions to address the challenge of how to best manage IT. The yo-yo reorganization trend is giving way to more measured strategies, where the organizations first designs and then deploys a structure that accommodates the best of elements of both centralized and decentralized IT.

Centralized decentralization

“For the first time in history it will be possible to have the best of both worlds – the economic and scale efficiencies of large organizations and the human benefits of small ones: freedom, motivation and flexibility.”

Thomas W Malone, The Future of Work

Many advocates of centralization concede the need for business units and users to play a role in the application management function. And advocates of decentralization typically support the need for a core team of IT professionals to support and standardize the technological infrastructure that enables broader information management.

So given these often opposing and conflicting scenarios, is centralized decentralization a reality?

IT self-service solutions like Shopping™ empower both desk-based and mobile workers to download applications on-demand, from an online enterprise app store, while also extending that self-service capability to include requests for other resources such as secure access, power polices and even replacement or new hardware.

With that said, the central IT function always remains in control, because, through Shopping, they are able to decide what applications, and indeed other resources, users can download or order. And when requests are first made, checks are made dynamically to ensure sufficient licenses or permissions exist, with any necessary approval requests automatically sent to chosen managers. Once requests are approved, the application or request is delivered directly to the user, installing automatically, without helpdesk intervention. And this entire process could take minutes, not days or weeks.

But Shopping also supports regional and departmental decentralization, through its branch functionality, which allows central administrators to authorize regional or departmental administrators to choose and publish the applications their specific users need directly to the Shopping portal, making them available to user almost instantly. Regional administrators can also set their own approval request processes and select local managerial approvers.

All three scenarios are catered for. The central IT function remains in ultimate control, so economies of scale and efficiency can be maintained, but delegate’s authority to regional or local administrators. These branch administrators have the ability to make local decisions based on local needs (whether geographical or departmental, or both) maintaining agility and speeding up decision-making. And because users are now empowered to search for, find and download or order the applications or other items they need, as and when they need them, on demand, they feel part of the decision making process and ultimately, work more productively because they can satisfy their requirements almost immediately.

Shopping decentralizes IT, by putting decisions firmly back in the hands of both users and regional administrators, while also centralizing IT, but providing the head office IT function with the visibility and control it needs to improve management, reduce license costs and build in economies of scale.

Practical possibilities

So is centralized decentralization using a solution like Shopping the answer? To illustrate how an organization might use Shopping to centralize its decentralization, we can consider two possible scenarios:

The outsourced IT environment

Software distribution (and IT in general) is managed through one central location, but (for example by function or by language etc).

In an outsourced environment, the outsourcer controls the software distribution mechanism within your organization. Whether or not they use a self-service application, each time a regional or departmental administrator wants to make new software available to their users you have to pay the outsourcer to do it. Each request to add new software costs you money and your user times, because it may take days for each request to be actioned. This can get very expensive, given that more and more organizations are spread out world-wide with often very focused regional functions (and hence very different software requirements).

Shopping cuts costs by removing the outsourcer from the equation. New application software can be added to the portal by local administrators using Shopping's branch functionality, in response to specific requests, without impacting on central IT resource or the outsourcer. The cost of each request drops considerably, because neither the outsourcer or internal IT is involved, because Shopping handles each request dynamically. If you consider that an outsourcer may be charging you \$30 -\$70 to handle each request you make and take two or three days to fulfill that request, the savings and efficiency gains can be dramatic.

The decentralized IT function

Because users in different departments or different regions have very specific software requirements software distribution and IT management is decentralized, so that each country, each regional office or even each department, makes its own choice in the applications and equipment it uses.

But because each region or department has specific needs, each independent regional IT team makes its decisions based purely on those local requirements. This approach can quickly become expensive and indeed farcical, as different IT teams choose different hardware and software combinations, sometimes installing and managing competing and often incompatible systems (as in the Gartner example above).

Shopping supports regional or departmental decentralization, through its branch functionality, which allows central administrators to authorize regional or departmental administrators to choose and publish the applications their specific users need directly to the Shopping portal, making them available to user almost instantly. Users can get access to the applications they need, when they need them, while regional administrators are free to set their own approval request processes and select local managerial approvers.

But, because central IT teams still have visibility of licenses and software, they can apply economies of scale across the whole organization to negotiate better rates with suppliers.

So much for the theory. What about a real-world example?

Syngenta is one of the world's leading companies, with more than 25,000 employees spread out across 150 sites in over 90 countries dedicated to one purpose: bringing plant potential to life.

Though a global business, Syngenta has only a handful of truly global applications. Most software is specific to the needs of the divisions, teams or locations using it, but site service managers looking after these teams still had to make requests to the central IT team to make new applications available to their users.

For example, the Seeds division uses a different set of applications to the Crop Protection division but each service manager would have to make a request to the central IT team every time they wanted to make a new piece of software available to their respective users. But because those requests were being actioned centrally, that sometimes meant a two or three day delay before the software was made available for users to download locally.

Syngenta wanted to empower local service managers with more autonomy and local ownership of decision making, so that they could service their users better. By allowing local administrators to decide for themselves which applications would be made available on Shopping, Syngenta have enabled faster and better decision making, making their business more agile, while also improving user morale.

The central IT team still has overall control, but now local administrators can decide what applications their teams need and add them to the portal themselves, so there are no longer any delays. And they can define local sign-off procedures and processes, which better fit their management and users.

Shopping now handles an average of 3700 user requests each month, saving Syngenta around \$148,000 every month (\$1.7m per year).

Coexistence and collaboration

Within this environment, both centralization and decentralization can flourish.

Decentralization allows organizations to take advantage of the division of labor by sharing decision-making across the organization, empowering employees to improve their performance by being able to act on their own initiative (requesting the software they need when they need it for example) while also supporting regional managers to use their first hand knowledge to improve their areas of responsibility.

But centralization focuses on coordination and consolidation of equipment, processes and software, reducing waste, and delivering both significant economies of scale and improved management efficiencies. Central IT is always in overall control, to make the key strategic decisions that impact the business as a whole (for example selecting the one CRM tool that will be rolled out across the organization while leaving the regional implementation to local administrators and users)

As the trend towards the coexistence of both centralization and decentralization gains ground, the governance structure is still able to cast its influence over IT-related functions, but without trying to control the teams performing those functions.

Under centralized decentralization, the traditional IT organization evolves into the role of strategic or sage advisor, while leaving local and regional business units and administrators to manage day-to-day operations, and leaving user to make the decisions they need to get on with the job at hand.

Business units, regional administrators and indeed users are all incorporated into this new structure, playing an equally vital role in helping to manage and support this new IT organization. By incorporating central IT, business units, regional administrators and users into one structure, organizations can eliminate the "them and us" atmosphere that has historically subverted the relationship between IT and the business community.

References

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