Bimodal IT – the changing role of IT and the shift in technology decision-making

Not only technology itself, but also the ways in which organisations procure and consume IT have evolved dramatically over the last decade. Technology consumption has moved beyond traditional modes of purchasing, owning, and managing your own assets.

One trend that's becoming a growing point of discussion for leading organisations and market analysts alike, is the rise of bimodal IT.

The two 'modes' of **bimodal IT** refer to two co-existing, yet sometimes competing, IT strategies within the same organisation. Mode 1 is driven by the IT department focusing on the cost and governance of core applications; mode 2 is driven by the individual business units/user communities focusing on innovation and competitive advantage. This bimodal split is expected to grow to such an extent that, soon, a significant portion of IT budgets will no longer be under the IT department's direct control. How are organisations to handle this inevitable change?

Dimension Data's Ian Heard, Group Communications Principal Director: Collaboration, suggests that a fundamental shift in mindset is required to harness the potential of bimodal IT for the benefit of the whole organisation.

Success depends on who buys it

In the move to bimodal IT, Heard sees similarities with how organisations used to buy telepresence in the early part of this century. 'Both the IT department and the business unit wanted high-quality videoconferencing. However, the result of the purchase was very different, depending on the buying centre. If IT purchased the solution, the focus was usually on adding bandwidth to existing room systems. This meant that the system often cost less than USD 20,000 per room, but there was very little consideration of whether everyday users would find the system easy to use. As a result, adoption was poor: these systems were typically used for a small proportion of the working day and often in danger of becoming white elephants.

'When the business unit purchased the solution, however, it often paid more than USD 200,000 for an immersive telepresence room. These systems offered the same video and audio quality as those bought by IT, but were easier to use and typically operating for more than 40% of the day. Return on investment was therefore achieved through employee productivity gains and reductions in travel cost.'

The battle of the budgets

How is this relevant today? 'In the telepresence example,' explains Heard, 'the move from mode 1 to mode 2 can be summed up as a shift from cost-based to opportunity-cost decisions. The reality is that both IT and the relevant business unit made the right decision in line with their respective departmental agendas. If the business unit tried to motivate its preference for more expensive videoconferencing technology by arguing for the potential to reduce travel costs, IT's response was usually that it wasn't reducing the IT department's travel costs. IT purchased the technology using its own budget and therefore inevitably settled for the cheapest option.'

As mode 2 considers the benefit for the business as a whole, it's no wonder that business units' IT budgets will continue to grow significantly, while IT will have to cope with an even smaller purse. But this is not a trend that will continue indefinitely. Heard believes mode 1 still has a big part to play in the new world of IT procurement and consumption.

The need to standardise, integrate, and accelerate

Technologies that have mature mode 2 buying cycles, such as ERP or CRM, show a similar trend, says Heard. 'Over time, organisations that procure these technologies largely on a business-unit-by-business-unit basis, end up with a multitude of systems that don't integrate, a mixture of standards across the business, and costs that escalate out of control. In fact, the majority of spend in the ERP and CRM markets today is on the integration of disparate systems in order to optimise return on investment and reduce cost. These are clean-up operations after investments, rather than investments that directly accelerate business.

'This is where the need for mode 1 clearly comes into play,' says Heard. 'The IT department's responsibility lies across all business units. Along with procurement, IT can drive down costs and improve standardisation to accelerate business goals. So the ideal strategy is to enable the business unit to drive mode 2 innovation as fast as the market demands, and for IT to support the business by optimising, rather than questioning, the strategy. However, that's easier said than done. It requires a fundamental shift in thinking about technology decision-making. It also assumes that the business unit has the time to research and thoroughly evaluate the technology decisions it's about to make which, in most cases, it doesn't.'

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IT's changing role

The IT department's focus on service levels and cost containment needs to expand, argues Heard. 'IT should focus more on the net business impact – that is, moving from cost-based to opportunity-cost considerations. In organisations that follow this strategy, the role of IT is changing from simply delivering IT services that are focused on system availability, to facilitating IT outcomes that deliver real business value. Availability doesn't equal success in the eyes of the end user. Richness of experience and ease of use attracts users. The key now is for IT to be able to embrace and improve these experiences.'

How can this change in focus occur practically? Heard gives the following advice:

1. **Plan for the unpredictable.** The move to mode 2 means that planning may be unpredictable at best; pointless at worst. Even prominent analysts have admitted that technology market-sizing is impossible given the shift of budgets to business units other than the IT department. Particularly in unified communications and collaboration, and end-user computing where the user's preference is paramount, planning is extremely difficult because the appearance of new devices and applications is explosive, while their utilisation is impossible to predict. Only one thing is certain: technology innovation cycles will continue to shorten and user requirements today will bear no resemblance to those in 24 months.

For IT this creates challenges such as:

- The scarcity of suitable resources – is your IT workforce today capable of supporting the requirements of tomorrow?
- Scalability of resources – can your existing network and infrastructure react to the change in demand?
- Rigidity of your current asset base – what's the value of current assets on your balance sheet that may not be fit for purpose in the future and will inhibit growth?

Says Heard: 'These are some of the main reasons why there's a major change in the way CIOs structure their organisation for the future. That is, both in terms of resourcing with a growing trend towards managed services, as well as delivery with an aggressive movement to the cloud.'

2. Create a mind shift from being a barrier to becoming an enabler. This change is required on both sides: from the organisation's IT department as well as its business units. IT needs to accept that it can't hamper change or the business will risk becoming irrelevant in a fast-moving market.

Says Heard: 'The days when IT could simply say: "We don't support that device or application", are over. Business units demand more choice and freedom in order to be more agile and competitive, regardless of how that complicates change control, security, and standardisation. IT must focus on optimising the selected technologies as rapidly and efficiently as possible. But business units also need to acknowledge the importance of IT's role in optimising the return the business can gain from the investment through factors such as cost control and interoperability.'

So the ideal **strategy is to enable the business unit** to drive mode 2 innovation as fast as the market demands, and for **IT to support the business by optimising**, rather than questioning, the strategy.

3. Make innovation the standard. IT is usually excellent at optimisation, but it should be a standard requirement. IT can and should also play a more relevant role in the selection of mode 2 applications. In fact, it's in IT and the organisation's best interest to do so. The key to successful bimodal IT is that mode 1 and mode 2 shouldn't be mutually exclusive, but should be dual, yet linked, organisational strategies. Real business transformation can only be achieved successfully when IT can foresee and react to mode 2 requirements and turn them into mode 1 executions as quickly as possible. 'This is the ultimate goal,' says Heard, 'to drive mode 2 innovation with mode 1 governance.'

The implications for partnering

Bimodal IT strategies will fundamentally change the way organisations view and evaluate their ICT solutions and services partnerships. Service levels, technical capabilities, and vendor relationships will no longer be enough to influence partnering decisions. Heard believes the key will be a partner's ability to share the IT department's goals and, to do that, it needs to understand the changing role of IT from a provider of services to an enabler of business outcomes.

'ICT solutions and services providers themselves now need to evolve from delivering products and solutions to providing experiences and outcomes. But how do organisations identify such providers? The key is to avoid partners with a binary go-to-market agenda that focuses on pushing specific priorities and/or products. This will only result in an unbalanced, biased approach to assisting the organisation.

'Traditional mode 2 providers typically have a single-product approach. This is often seen with, for example, specialist audio, web, and videoconferencing providers that avoid organisations' IT and become a disruptive force. They make large margins selling directly to users. On the other hand, traditional mode 1 providers such as telecom carriers need to protect their investments in large networks and the revenues they generate from them. They do so by locking clients into long-term contracts with incentives such as technology funds, which are often little more than reimbursements for overspend.

'It's therefore crucial to understand the motivations and priorities of the potential partner: how diverse and client-led is its approach and/or portfolio of offerings, which organisational departments does it target with its offering, and how is it remunerated? Be careful of those providers that target only IT, or only the business unit. To ensure real business return, you need to enable your IT department to be relevant to the business unit, and vice versa. Only then will the success of a bimodal IT strategy truly shine through,' concludes Heard.

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