
The New Core Competencies of IT Departments

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“If skill could be gained by watching, every dog would become a butcher.”

Turkish Proverb



» To be considered ‘core’, a competency must pass three tests: breadth of application, relevance to customers and difficulty of imitation.

» CIOs should focus on developing five core competencies: business analysis, solution ‘web’ management, change management, innovation and knowledge management.

» Any attempt to develop core competencies must include people, process and technology.

» These five competencies will increasingly become the basis of competition for business in general. CIOs have an opportunity to develop these skills in IT and then help scale them throughout the organisation.

» Like the proverbial butcher’s dog, talking about these competencies or watching others develop them won’t help IT Departments.

Most IT people are familiar with the dire situation that IBM found itself in during the 1990s. On the verge of bankruptcy, IBM turned to an outsider, Lou Gerstner, to turn the company around.

Gerstner’s strategy can be summed up as: moving upstream in the customer value chain. This meant shifting focus from hardware and devices to software and services. By getting closer to customers, Gerstner effected one of the most storied turnarounds in business history.



Today's IT Departments face a similarly bleak future, but CIOs can also use Gerstner's strategy to turn things around.

CIO's have been chanting the 'business-IT alignment' mantra for years but unfortunately it's not working. Healing the acrimony that has developed between IT and the rest of the organisation won't be quick or easy, but you have to start somewhere. And the best place to start is developing the competencies that will be valued by business in the years to come.

What Is A Core Competency?

In their article, *The Core Competence of a Corporation*, Harvard professors Gary Hamel and C.K. Prahalad defined core competencies as "the collective learning in the organisation". To be considered 'core', a competency must pass three tests:

1. **Breadth of Application:** core competencies open up a good number of potential markets. For IT this means developing competencies that can be put to more than one use.
2. **Relevance to Customers:** core competencies give customers a reason to choose your offerings over those of competitors. For IT this means competencies that would encourage business units to choose the IT Department over external service providers, if they had a choice (which they increasingly will).
3. **Difficulty of Imitation:** core competencies are difficult to imitate. For IT this means developing competencies that can't easily be imitated by external service providers.

Honda's core competence is developing engines. They use that competency to build cars, motorbikes, lawnmowers and power generators. Canon's core competencies are in optics and imaging, and they use them in cameras, scanners, photocopiers and laser printers. In both cases the core competencies can be broadly applied, are relevant to customers and have proven difficult to imitate.

These three tests indicate that many of the competencies that were once considered critical to IT's mission, can no longer be considered 'core'. This includes help desk,

software development, project management and data centre management, to name a few. So what competencies *should* IT Departments be developing?

The New Core Competencies

In order to remain relevant, IT Departments must start developing the following five competencies:

- business analysis
- solution web management
- change management
- innovation
- knowledge management

Competence 1: Business Analysis

IT Departments deal with two distinct areas: the problem space and the solution space.

IT Departments typically focus on the solution space. Solving problems is in IT's DNA. Unfortunately, IT isn't nearly as good at defining the problems we're trying to solve. The business analysis competency in most IT Departments is weak. Such analysis is only done during the requirements gathering phase of a project and this relegates business analysis to the role of 'requirements analysis' at best, and 'requirements order-taking' at worst.

The difference between business analysis as part of a project and business analysis as core competence is the same as the difference between learning to pass an exam versus learning to gain knowledge. Confucius said that "learning without thought is labour lost." Usually not much thought goes on when you have an exam to cram for or a project deadline to meet.

Business analysis must be a constant process. Analysts should be embedded within the business units so they can be seen as trusted advisors. From an IT perspective, business analysts will provide an additional channel through which to serve the organisation as well as providing an early warning system for things the IT Department need to know about, but often hears about far too late.

Competence 2: “Solution Web” Management

In product-based businesses, customer value is delivered through the supply chain. In services, the equivalent is the ‘solution chain’. But this linear ‘chain’ is rapidly being replaced with an interconnected ‘web’. CIOs must get used to the idea that everything they need to deliver value to the organisation will no longer be under their direct control.

As organisations become more dependant on technology, and as more of that technology is sourced from outside, CIO’s will have to adapt. Adversarial ‘vendor management’ will be replaced with cooperative ‘partner relationships’ and punitive ‘service level agreements’ (SLAs) will be supplanted by ‘partnership agreements’ with both sides incentivised to add-value in the relationship. Restitutions and penalties in SLAs are scant consolation when business is severely disrupted.

Importantly, these solution ‘webs’ will encompass not only external partners but will also extend into the rest of the organisation. The business analysis competency is a means for IT to reach out into the organisation and understand the problem space. Extending the solution web to the rest of the organisation allows non-IT people to participate in the solution space. Gone are the days when IT can tell someone in the organisation ‘just give us the requirements and we’ll get back to you with the best solution’.

Competence 3: Change Management

In many IT Departments ‘change management’ is synonymous with ‘rolling out a project’, but this is an oversimplification. John Kotter, a change expert and best-selling author has identified a trend away from ‘episodic’ change, where big change efforts appear sporadically and for a finite period, to ‘continuous’ change where change constant and never-ending. In such an environments, developing a change management competency is important.

Whether a solution is developed within IT or sourced from partners in the solution web, that solution will need to be integrated (as opposed to deployed) into the organisation. This distinction between ‘integration’ and ‘deployment’ is critical.

Many IT Departments deem a project to be complete when the solution is deployed and the users are trained. This mindset must change. IT must take responsibility for

integrating the solution into the organisation: driving adoption, managing benefits, and delivering value.

In addition to stretching beyond the usual 'project complete' milestone, change management will also become an active project participant right from the project's inception. Whenever decisions are made, the change implications should be factored in the decision process. If you can get 80% of the benefit with far less change management work – you'd almost always take it. If IT is accountable for delivering business benefits, rather than delivering solutions, it will be IT's best interest to factor in the complexities of change. Until now, most IT Departments have given little thought to benefits realisation because they haven't been responsible for it.

Competence 4: Innovation

IT Departments need to become innovative in many areas, but perhaps the most urgent need is to become innovative in the area of solution delivery.

IT Departments must dissuade themselves from the notion that unless something is 'enterprise grade', then it's somehow not good enough. Non-IT people in the organisation are increasingly building their own solutions, and this trend will accelerate. Originally designed as a temporary solution to a pressing problem, these solutions have a habit of becoming permanent. Sometimes even mission critical. IT Departments need to understand that there is a vast middle ground between the multi-year, multi-million dollar enterprise solutions that IT insists on delivering and the ill-conceived, hacked-together solutions that non-IT people are forced to cobble together out of sheer desperation. IT Departments are better qualified than the business units to deliver rapid, light-weight, 'good-enough' solutions – if only they'd take up the challenge.

Delivering solutions is basically the IT Department's reason for being, so it's about time IT got innovative about how they go about it.

Competence 5: Knowledge Management

Knowledge management's heyday was in the mid to late 1990s but like so many good ideas, knowledge management was hijacked by vendors and consultants. Knowledge management will return, hopefully with more success the second time around.



Knowledge management is the most important of the five competencies because it's the foundation upon which the other four competencies are built:

- Business analysis is pointless unless the knowledge gained is stored and disseminated throughout the IT Department.
- Managing a complex web of solution partners becomes impossible without seamless knowledge exchange through the web.
- Effective change management requires a deep understanding of how the organisation works, and this information has to be stored somewhere other than in people's heads, or in project-specific documentation.
- Knowledge generated through the innovation process needs to be captured so that innovation can be effectively managed.

Knowledge management is not about documentation, it's about communication and shared meaning. Effective knowledge management systems, processes and procedures will close the communication gap that exists between IT and the rest of the organisation. The only way for everyone to be singing off the same hymn sheet – is to only have one hymn sheet.

People, Process and Technology

Every IT person has heard of the holy trinity of 'people, process and technology'.

It's important to understand that building these core competencies requires more than hiring people and forming 'centres of excellence'. Hiring change experts and creating a change management centre of excellence, for example, doesn't give you a change management competency any more than graduating from medical school makes you a doctor.

In order to build true core competencies you must supplement the people with process and technology. Technology is more than software and hardware. While those are important, a broader definition of 'technology' encompasses tools, techniques and methods, which are equally critical. Processes are the glue that bring people and technology together. To be effective, these processes must be baked into, not bolted onto, the everyday work of everyone in the IT Department.



IT Departments Can Lead the Way

Developing the five competencies presented here will ensure that IT Departments remain relevant. But there is an even better possibility. These competencies will eventually have to permeate the entire organisation and they will be pre-requisites for business success in the years ahead.

As businesses face increasingly challenging competitive environments they will rely on these competencies to survive. As IT Departments develop these competencies internally, they'll be able to leverage the lessons learned and become a key partner when these same competencies need to be developed throughout the organisation. IT will finally have the chance to become the strategic enabler and business partner that it has long promised to be.

Conclusion

As these five competencies are developed, the invisible wall between IT and the rest of the organisation will begin to break down. The common thread that runs through each of the five competencies can be summed up in one word: relationship. A good working relationship between IT and the rest of the organisation is perhaps the only competitive advantage IT Departments will have over external vendors.

IT Departments will never be able to develop software, manage a data centre or run a project as well as specialist external providers – so why try? It's not in the organisation's best interest to waste resources on developing competencies that can be brought in from outside. What the organisation really needs is a strategic partner that understands the organisation intimately, and that can only be the internal IT Department.

Each of the above competencies passes the three tests for a core competence:

- **Relevance:** the organisation will gladly choose an IT Department it has a close working relationship with over unknown external vendors.
- **Difficult of imitation:** you can't duplicate relationships, they're built over time
- **Breadth of application:** each of these competencies can be applied in many different areas (e.g. business analysis can be used in IT projects but it can also be applied to any other area that requires a deep understanding of the business, such as risk management, process reengineering and mergers)



CIOs must ensure that their Department's begin developing these competencies. Unfortunately, they can't be developed by just talking about them or by watching someone else develop them (like the proverbial butcher's dog). Concrete action is needed on three fronts: people, process and technology. □

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