

# No Business without IT.

Why the digital transformation is so difficult for many companies, and how to solve this dilemma.

Wanting to implement innovations quickly, companies often develop digital process inside the different departments without the adequate involvement of IT. This leads to isolated solutions within the organization. But solutions can only deliver true added value for the entire company if they can be scaled and integrated with each other.

The digital transformation has reached the company. However, departments often introduce SaaS-based applications on their

own, or they develop their own solutions. This leads to the uncontrolled growth of incompatible systems.

## Examples of isolated solutions in a production operation

1. The purchasing department has a platform for supplier management that enables digital purchase orders. The specifications and volumes, on the other hand, are e-mailed to the production department and must then be entered manually.
2. The sales department uses an independently developed web portal that provides customers with 3D models of products, which can then be customized. However, the product information is manually entered into the tool since the interface to the product information management system does not work properly.
3. Production uses a manufacturing execution system that digitally displays the various production steps. But forecasts about production capacity, the finishing of individual products and defective products must be determined manually by analysis and provided to other departments as Excel reports.
4. The development department uses a CAD system that sends drawings directly to the various machines. But the department is missing the experience data for cost-effective and reliable materials from production and purchasing.

This means that manual interfaces are required to exchange data, but they also represent a potential source of error. Therefore the systems should be integrated across the departments to warrant complete data integrity and availability.

In the case of a production company, this would allow customers to modify their product during the production process, actually

see the progress and track the shipment in the web portal. The supplier management tool automatically receives data on current purchase orders and inventories. Supplier orders are automatically adjusted based on forecasts for product demand. And the development department always has access to current prices and production experience. The result: the cost-effective and efficient series production of individual products.

## The role of IT in the digitization process: from service provider and enabler to driver

As a result, digitization requires a holistic approach for companies, their value chains and in particular their IT organizations. But IT must also accept and be allowed to practice this new role. In practice, it often finds itself trying to balance the requirements for rapid, efficient, agile, scalable and innovative digitization in the company with the growing IT independence of the various departments. These often view the IT organization as a hindrance, inflexible or old-fashioned. And so they go ahead and do their own thing - using Cloud services or external developers.

But it is exactly these types of isolated solutions that frequently lead to rising administrative expenses, more complexity and not least increased security risks, since the existing governance requirements and guidelines do not cover these cases. The result:

Short-term solutions must be controlled again. This not only leads to lost investments but also unused IT solutions or even contractual dependencies on external providers.

Therefore the IT department (whether the other departments like or not) must strictly control the use of customized solutions and approaches during the digitization process. But by doing so, it cannot act primarily as a hindrance, but rather as the keeper and enabler of new business models. The IT department has several trump cards over its colleagues in the other departments: It focuses on what is good for the entire company and it has the flexibility to pro-actively find the required service providers. In addition, it can organize or manage tenders to negotiate the best terms with external providers.

## The new IT organization: DevOps, agility and business partnering

To complete this transformation, IT departments must develop and pave the way for the future particularly with regard to the IT organization, business centricity and technology. They must assume responsibility for the scalability of the new digital solutions. In addition, they must ensure that processes are fully thought through, developed and automated, and that they can be integrated into the overall organization in a flexible and (if needed) agile manner.

This means: The processes in the IT department are increasingly changing in the direction of an agile collaboration with departments. Moreover, the IT team increasingly assumes advisory and managing functions. To this end, it must push for the following:

1. recruit employees with the right skills, who understand agile methods and carry them into the company
2. make data-based decisions on the basis of Data Analytics and prevent incorrect decisions due to a lack of skill or information

3. despite higher levels of security, reduce the complexity in the operation while remaining flexible to reduce the required amount of time and resources
4. lower IT costs with transparent IT controlling and service management to remain competitive
5. develop and implement an IT sourcing strategy to speed up the process of finding the right service providers and concentrate on processes that differentiate the company from the competition

In addition, interdisciplinary DevOps Teams in the IT department also help to increase software quality and availability and therefore customer satisfaction. Business Centricity must also be improved (or introduced), and a detailed understanding must be created for the company's business processes and value creation. To this end, the IT department must develop joint solutions with the other departments.

### This can be done with:

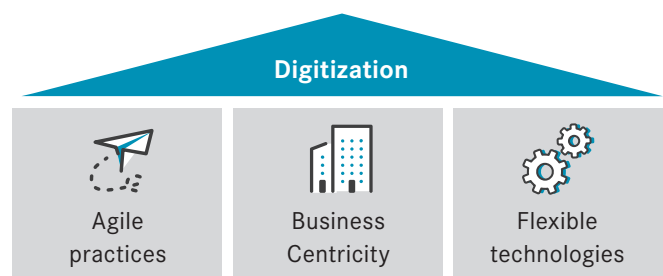
1. **Professional Partner/Business Centricity:** IT developments are often based on the viewpoint of management. Therefore IT must see itself as a partner in the development of joint ideas and solutions to ensure rapid and flexible compliance with business requirements and to guarantee competitiveness.
2. **Co-Innovation:** Co-Innovation: Innovations are led and promoted jointly by IT and the departments. Particularly in agile environments, this means that IT experts work in teams with staff from other departments, so that the steadily changing requirements can be met as much as possible and the investment expenditures are fairly distributed over the participating departments.
3. **IT Service Management:** The coordination between service provider and service recipient is intensified. Here too, it is all about promoting and practicing small and flexible partnerships between IT and its internal clients, so that technological changes and opportunities can be tailored to the requirements of the business. This provides a high degree of automation for standard business processes.

On the whole, it means that the existing employees in the IT department must increase their knowledge and skills for supporting business processes, because company-wide innovations require IT departments to take a close look at the new requirements and the associated fundamental technological developments, which promise a lot of added value for all departments today.

### They primarily include:

1. **Cloud Computing** such as IaaS, PaaS or SaaS to address the need for flexibility, efficiency, productivity and scalability, and to facilitate the collaboration of the teams.
2. **Platforms** for improving and accelerating processes to reduce manual error sources.
3. Analyses of **Big Data** (Analytics), so that relevant information from customer data, deliveries, orders, transactions, product details or manufacturer information can be extracted in a very short time (e.g. to improve the pricing process).
4. The **IT-Security**, which must always be scrutinized so that the required security concepts can be developed for the current company-specific structures and requirements, which also provide the requisite protection for critical business data in the digitization age.

It is only by including these issues that IT has the flexibility to meet the requirements of the departments, while also guaranteeing the company's security and efficiency.



Three factors to support digitization

## Conclusion

The idea of aligning the IT department to the digital transformation of the entire company sounds pretty simple in theory: It "only" has to make its own organization agile, maintain a strong connection to the business, focus on the main technological trends and actively promote these to management and the various departments.

However, this fundamentally changes the conduct of IT as a service provider and requires a significant restructuring of the IT organization and its resources. In practice, the IT department must also become an enabler for employees.

At the same time, it must manage on-going operations and provide sufficient resources for modernization and the introduction of new approaches and technologies.

Therefore, in order to achieve an optimum and successful digitization process, IT departments should be considerably strengthened with regard to their skills and impact - or they should take the initiative in this regard. An IT transformation is not possible without a mature and enabled IT department that is viewed as a partner by the business. And without an IT transformation, there can be no long-term and sustainable company-wide digital transformation.

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