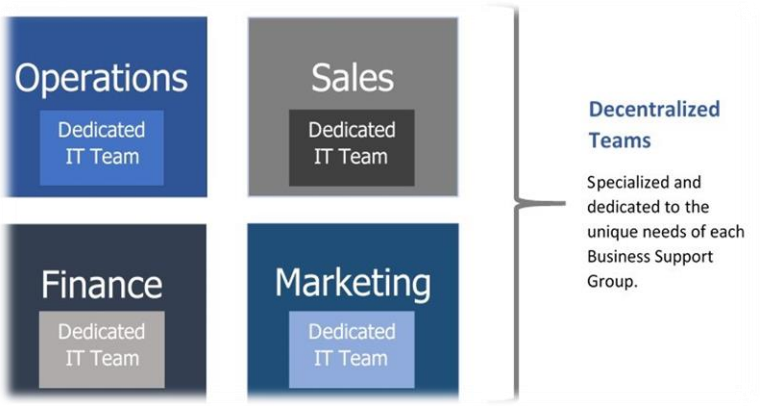
Centralized vs. Decentralized IT Teams What's the difference?

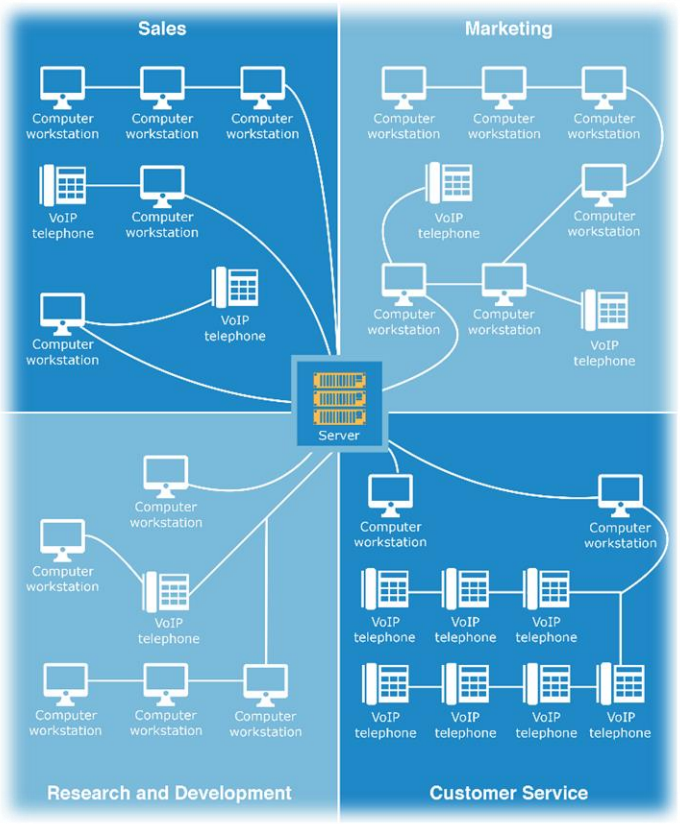
McKinsey recently re-released a report from 2011 on the pros and cons of decentralization vs. a centralized organization. VMWare and Vanson Bourne researchers also completed a study at the end of 2016, which revealed that ***over the past 3 years 69%*** of the participating businesses agreed there was an accelerated effort to decentralize the IT team. In stark contrast to the trend, ***65% of IT respondents prefer to be more centralized***. It's an interesting juxtaposition, which requires each business to consider their long-term business vision, financial and productivity efficiencies, and the cultural impact. The McKinsey report outlines an assessment that suggests the decision to decentralize should have a financial basis, followed by a risk vs. reward analysis. The Vanson Bourne study doesn't outline a process to determine the "right" approach, but rather reveals a more pragmatic perspective seen through the eyes of IT leaders who view the decision from a technical management, risks and productive efficiencies and/or inefficiencies to the enterprise.



To-date, there's not a consensus on a "right way" or "wrong way", CultureFit has placed candidates for both types of organizational models - but there's plenty of opinions. We've broken down both sides to provide some perspective regarding the implications and challenges that the IT teams need to manage.

Centralized Organization

Traditionally, an enterprise has organized their IT team as a single department under the leadership of a CIO. This team works across an enterprise as various needs and projects arise, as requested by each business support group or the executive team. From an architectural infrastructure perspective, all LOBs are set up – Software Advice provides a good graphical representation. Although there are significant efficiencies from this approach, there's also a risk to the entire organization should there be a server(s) failure, as each LOB is interconnected to a central main-frame.



According to the VM Ware study, the benefits of this type organizational structure include, but not limited to, increased purchasing power, improved information flow between IT team members, skilled talent hiring efficiencies, and an eagle's view of the enterprise's technical infrastructure from both an operational network and security perspective. With little to no surprise, security challenges are becoming a predominant theme in support of a centralized organizational set-up. Other benefits sited in the study include:

- 62% state centralization reduces hacking vulnerabilities
- 73% state cyber-attacks are not as successful
- 83% state centralization lowers overall expenses

From a business perspective, the centralized structure offers several qualifiable benefits which challenge the idea of a decentralized structure, including:

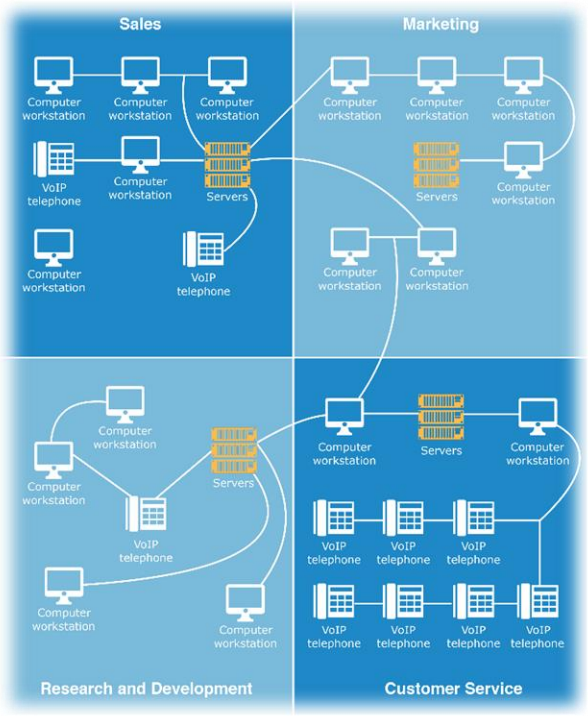
- Improved productivity for IT staff – IT teams are like any other team, they thrive with collaboration and mutual understanding and respect for each other's skills sets. It also makes installations and technical resolution(s) easier as you're addressing a centralized resource.
- Lowered expenses and increased purchasing power – the centralized environment will always provide a business with more buying power at a lower cost by combining all of the needs of the business into a centralized buying pool.
- Enterprise-wide information dissemination – the centralized organization will build their network from the center out – LOBs will typically share the same networked resources – such as an ERP or CRM. This avoids the dangers of siloed information that could be critical to another LOB, but without access there's no visibility the information is available.

Despite the passionate views, a centralized team has several limitations and challenges – one of those challenges with the greatest enterprise wide exposure – How best to prioritize submitted project requests from each of the LOBs – with 63% in agreement this is an on-going challenge. What criteria is used to determine the greatest priority? Revenue impact, operational impact, or possibly new regulations. Unsurprisingly, each business support group will consider their projects to have the greatest priority, and usually prepared to defend their position with ample support. In contrast, decentralizing the IT team and assigning technical team to each business support group, seems to eliminate the challenge of competing internal prioritization.

Decentralized Organization

Decentralization is being tested across many enterprises. The difference in this organizational set-up assigns a tech person(s) to each LOB. This organizational shift, allows the LOB to increase their understanding of various technology challenges, but also balances those challenges/solution with a greater degree of focus on the objectives the LOB is ultimately trying to achieve. This approach also creates vastly different change to the architectural infrastructure from that found within the centralized approach -

This set-up protects an organization from enterprise wide server failure – should one server(s) go down, there's little to no impact to the other LOBs.



Attribution: Software Advice

Similar to the views of a centralized departmental structures, there are very strong perspectives which cannot be ignored regarding a decentralized organization, including:

- 67% agree to increased innovation
- 63% state increased employee satisfaction
- 67% believe new products roll out more quickly

Although employee satisfaction appears to be quite high, Eric Edelsberg, CultureFit Staffing Director provides a bit of caution “The decision to move to a decentralized model requires several consideration variables usually addressed at the executive level. However, there are very real impacts respective to overall performance depending on the size of the company. Typically, the mid-sized companies that are able to assign 2 or more IT professionals to a line of business generate much better performance results. This eliminates any risk of isolation, facilitates collaborative problem-solving skills and the natural synergies that emerge among people working towards common goals.”

There are other reasons for decentralization which are more pragmatic from an operational perspective:

- Redundancy ranks near the top. There are few businesses that can afford to shut down operations because of a server failure. By decentralizing you’ve isolated the impact to only a fractional part of the business. But this structure is also an opportunity to build a fail-safe network to back up each department should an outage occur.
- Customized configuration by LOB. This falls into the one-size does not fit all bucket. Each LOB has the ability to select and configure the resources and applications which best fit their needs, vs. having to adjust the department’s processes to a centralized server.

- Reduced time-to-deploy. The decentralized structure allows each department to change, add, or remove applications, platforms, or any other new technology quickly without having to deal with a bureaucracy of decision makers. It's invaluable time for those businesses or LOBs that operate in a regulated environment.

The decentralized model has seen the recent acceleration of adoption as cloud computing has proliferated – enabling LOBs to purchase their own cloud IT more easily, capitalizing on the customized configuration as well as the time-to-deploy. This trend is in the early stages of picking up steam, therefore it's unlikely the decentralized organizational model will slow down anytime in the near future.

Decentralized Skill Sets and LOB applications

Although, there seems to be no consensus around which approach will eventually become main-stream, 64% of IT and Business Leaders agree the decentralized approach actually opens new opportunities for IT professionals; it's a new way to think about how to shape their skill sets as they specifically apply those skills to a LOB. It dramatically changes the way a professional may want to consider developing their career path. The following outlines 3 of the primary LOBs, and how they apply technology from their unique perspectives and goals, along with the types of tech skill sets that are most commonly used to support these goals:

Operations/Finance:

This support group is always seeking to leverage technology to gain cost and time efficiencies across an enterprise. Specific technology skill sets for this support can be quite expansive, depending on the size of the company. The following is a quick list of some of the most common areas of focus:

Enterprise Resource Planning (ERP) – one of the most powerful systems used across an enterprise to integrate databases, applications, manage the business and automate back office functions related to technology, services, and human resources. Think of it as a central hub capable of integrating all LOBs.

Technical skill sets typically required: overall this is a project management role leveraging a variety of technology skill sets, such as Infor, Sage, or SAP. Above average communication skills, the ability to cross functional issues that have both macro and micro level business and technical implications, vendor management and negotiation. Frequently the ERP systems will include, but not limited to, the following modules:

Business Process Management (BPM) Systems
Enterprise Content Management (ECM)
Inventory Management
HR Management
CRM Database

Sales and Customer Support

These two teams are the front-line communication's teams with potential and existing customers. They are often the first impression made and establish the brand's commitment to customer support. When these teams require technical support there's little to no-time to wait for solutions that are customer impacting. Specializing your tech skills to support this team will also require an agile and adaptive personality – a willingness and ability to respond to "on-demand" environments with a calm demeanor.

Customer Relationship Management (CRM) Systems – Very few businesses today can operate without a sales CRM. The CRM is a comprehensive database that manages and tracks the progress of all sales activity, a database of all sales assets such as presentations, pre-approved pricing, and standardized terms and conditions. The database also captures and updates critical customer and lead information used for future communication. The CRM is a 360-degree view of all information shared with the customer and/or leads.

Technical skill sets typically required include: SQL database management and an expertise regarding the most commonly used CRMs, such as SalesForce, MS Dynamics, or Oracle/NetSuite – the success of a sales team and management are codependent on the technical skills and expertise to configure, change, report, troubleshoot these complex platforms.

Sales 2.0 Tools – this sales tool box captures an array of applications or all things deemed "sales support". Typical applications include everything from Wikis. to sales process, to order entry systems that can be quickly updated as new products and pricing changes require updates. It's a sales support system with one objective, making front line sales people more time efficient with a greater emphasis on the ultimate customer level support. The technical support teams for these tools are sometimes referred to as Sales Enablement Managers.

Technical skill set types: Project management skills are critical as many of these tools require collaboration and specifications which impact multiple business support groups, and the expertise to develop interdepartmental process and technical requirements to manage implementations as seamlessly as possible, with the least amount of operational impact.

Technical Sales Engineer – a unique role for the professional who has both sale's skill sets along with the experience to create unique, and often complex, customer solutions requiring technical sourcing, specifications, and a clear understanding of the best way scope and implement the solution.

Technical sales engineers are a key point of contact for clients and provide both pre- and after-sales advice. Similar to the Sales 2.0 IT leader, you'll liaise regularly with other members of the sales team and colleagues from a range of departments, such as:

- design
- development
- production
- purchasing
- quality
- research
- senior company managers.

Marketing

Big Data – marketing leverages this category to optimize almost all marketing initiatives to gain a higher level of precision and accuracy from both targeting new customer acquisitions, as well as upselling existing customers to generate repeat purchases or a greater transactional value by understanding what other common products are purchased together. Think Amazon, and other digital retailers which provide seemingly instant information for potential customers to consider - "Other products commonly purchased with your selected products."

Technology skill sets include:

- ***Data scientists*** – experts with the right mix of understanding data, coding skills, statistical knowledge and a thorough understanding of the wider business environment and how marketers will use the information to grow profitability.
- ***NonSQL expertise*** – an emerging and extremely high demand skill set to acquire marketing data that resides outside a structured environment such as SQL or Access databases.
- ***Hadoop expertise*** – including MapReduce, HDFS, YARN, and Spark plays a central role in the development of any big data applications

Responsive Web Design, SEO, Mobile Applications – these 3 marketing categories are table stakes for nearly all businesses, across all industries. The marketing goal is to ensure your company is available and accessible wherever and however customers want to gather information and transact. However, there's one other critical stakeholder these experts need to consider as an equally high priority – does the site meet Google's specifications to achieve a high organic ranking.

Technical skills include:

Coders - HTML and CSS coding, Java script (or jQuery), wireframing, basic application development in an object -oriented programming language like Ruby, Python, or PHP,

Google Expertise - a high level of understanding around how to leverage the Google analytics and Google Ad Words platform

Templated Website Platforms - word press and other similar web design applications, with a strong knowledge of features, functionality, available add-ons or plug-ins.

Ultimately, each business needs to determine the best organizational solution to fit the needs of their company from a long-term perspective. CultureFit adapts our recruitment and hiring strategies to align to your unique organizational and staffing needs – identifying candidates that will culturally thrive in the business environment established by the key stakeholders.

About CultureFit

CultureFit and Advance Search bring a combination of over 10 years of IT Recruitment; entrusted to hire and place IT professionals throughout the Greater Chicagoland and Milwaukee area. Each year, they're charged to recruit, negotiate, and place 100's of open positions with quality talent that meet skill set requirements as well as compliment an organization's culture. Their unique position has afforded them the opportunity to identify hiring trends from both the organization and the talent's perspective.

CultureFit
Technology Staffing