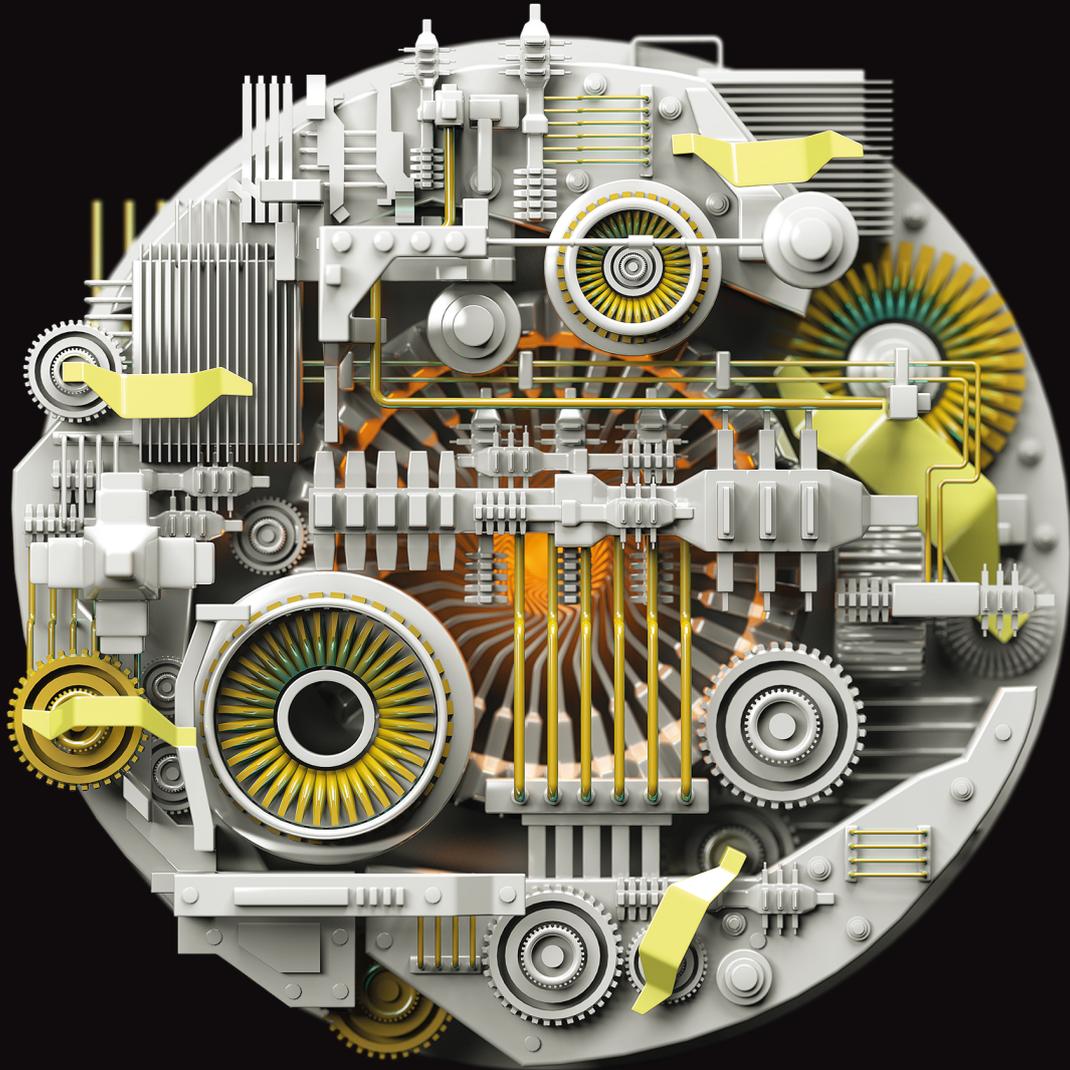


Deloitte.



Transformation
principles towards
agile Service Delivery

October 2020



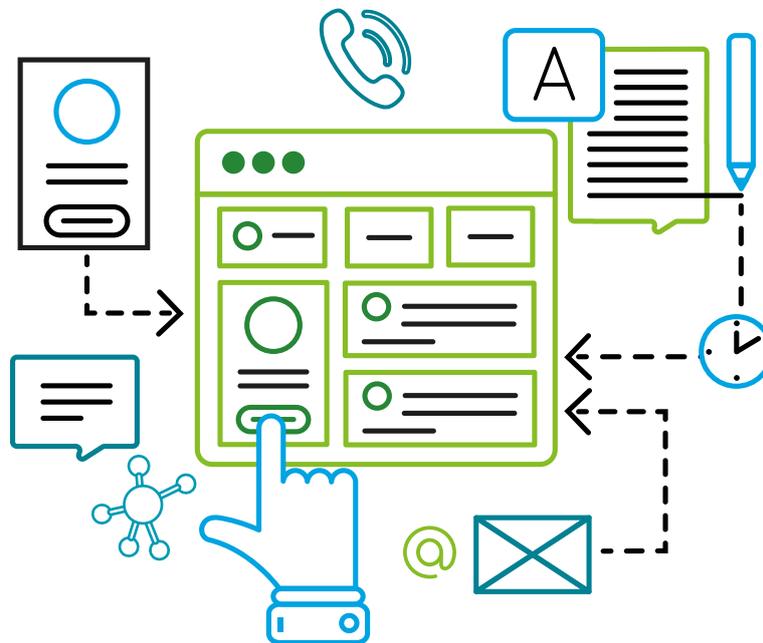
MAKING AN
IMPACT THAT
MATTERS
since 1845

The product-based technology operating model

How to organise for high-value and cost-efficient IT service delivery

At a time when most CEOs are struggling to deliver competitive solutions and keep up with rapidly changing customer expectations, organisations of all sizes and across all industries must take a deeper look at how they run their businesses and develop their products. Given the rapid pace of technological change, business and technology must move ever closer together to shorten product development lifecycles. At the same time, organisations need to cope with increased scrutiny of IT budgets and the challenge of freeing up financial assets for change initiatives (see also Deloitte’s “The 9 Big Shifts that will determine your future Business of Technology”).

In order to address both challenges, an increasing number of organisations are turning towards product-based technology operating models that enable them to achieve their digital transformation goals while decreasing time to market and optimising overall IT costs.¹ Pivoting towards an operating model focused on products, not projects, managed through the use of lean portfolio management (LPM) techniques, allows business leaders to respond to changing customer demands and market conditions quickly.



A question C-level executives are grappling with now is how to adapt these new ways of working to the specific setup of their organisation. To answer this question it is necessary to consider many different areas, including organisational structure and the approach to transformation, among others. Deloitte has identified seven key principles when shifting to a product-based technology operating model.²

1 Start with why and focus on outcomes

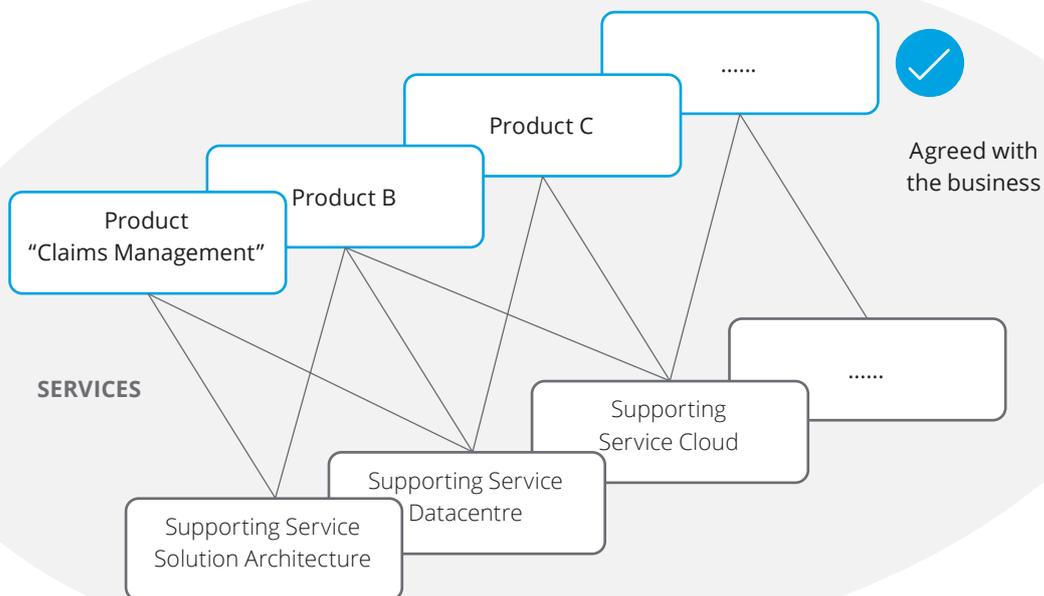
Prior to embarking on a transformation journey, executives and transformation leaders must understand the problems they are trying to solve and set themselves clear goals. Organisations easily fall into the trap of deciding to go agile because it is what their peers do, without fully understanding the 'why'. Ensuring senior management support for the vision and purpose will help establish broader support and higher acceptance for the transformation, and help to make the communication strategy compelling. This is the essential first step. What then needs to be established is a clear understanding of agile principles at all levels of the organisation and thorough understanding of how business leaders can help their organisations deliver "better value sooner, safer, and happier"³ through high levels of engagement, inclusion, and empowerment. Short iterations and immediate feedback are key to enabling success on an agile journey.



2 Define your products and supporting services

A well-defined IT service portfolio is a good starting point to create a product portfolio and identify associated Value Streams. Value Streams are series of steps to build and support a set of solutions: the products, services or systems delivered to the customer.

IT services can be categorised into either: services providing value directly to the business as part of a continuous value stream (so-called products); or supporting services, which are normally invisible to the business or end-users, but are required enablers for successful delivery of the products.

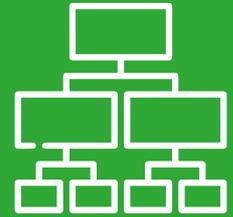


- An ITIL conformant definition of a **service** is a "means of delivering value to customers by facilitating outcomes customers want to achieve without the ownership of specific costs and risks"
- Technology services can be further differentiated into services providing value to the business directly (so-called **products**) and **supporting services**, which are normally not visible to the business, but are required to deliver the product
- Products must be **agreed upon with the business**, as they are the units of reference for requirements management, development and budget allocation
- Each **product requires a number of supporting services** to run smoothly
- A product example for an insurance company could be a **claims management** solution

3 Adapt the organisational structure and ways of working to your service portfolio

Service delivery is then best organised along the product and supporting service portfolio. Products and supporting services need to fulfil different requirements as far as speed, agility and cost efficiency are concerned:

- products are at the core of value delivery to the business. Agility and speed are therefore paramount when meeting new requirements. An often chosen organisational setup is the product team. Product teams are long-standing cross-functional teams aligned to the product portfolio (see also sidebar “What is a product team?”).
- supporting services are enablers and consumed by the product teams. They consist of specialist roles, people, and services required by the product teams. Supporting services are more technical (i.e. platform services), best delivered by teams of highly specialised IT engineers. Agile ways of working can be an option for these teams, but this needs to be determined on a case-by-case basis.



What is a product team?

Product teams are long-standing cross-functional teams aligned to the product portfolio. The product team combines all necessary skills to develop test, deploy, run and maintain a product. The mantra should be: you build it, you run it, you own it. In more mature organisations, there is a trend towards business ownership of products. As a result, IT becomes embedded into the business structure and the more traditional business-demand/IT-supply model become less relevant.

4 Adopt the governance model to support decentralised product teams

While the product team setup allows for highly empowered teams and maximum business-IT proximity, decentralisation of decision-making requires organisations to establish new cross-service portfolio governance concepts. Frameworks such as SAFe (Scaled Agile Framework) help to scale agile from team level to enterprise-wide adoption and provide insights into the enterprise-level governance required to ensure convergence of the company's service portfolio. This also includes guidance on practices for strategy-alignment, budgeting and funding.



5 Increase self-service enablement and automation to maximise efficiency and economies of scale

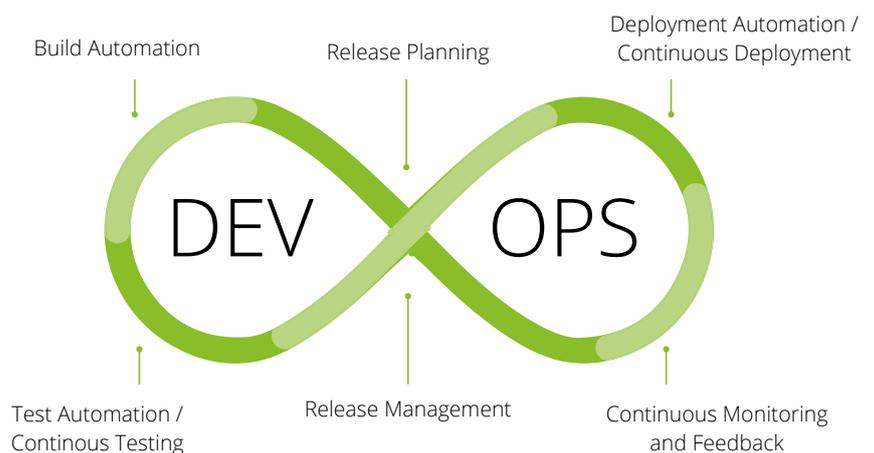
Self-service enablement is the core focus of the supporting services organisation. This helps the product teams to provide efficient delivery by providing them with fast, on-demand security, architecture and infrastructure provisioning. Cloud-based services minimise constraints from on-premise legacy infrastructure and therefore help to strengthen the self-service capability. Within the product teams, full automation of the end-to-end software development cycle is a prerequisite for the DevOps capability (see also sidebar “What is DevOps?”).



What is DevOps?

DevOps is a software delivery approach, culture, or practice that brings development teams and other IT stakeholders together to achieve a common business goal of delivering work faster while maintaining excellence in quality. DevOps is a natural extension of agile concepts and helps organisations to improve their software release cycles, software quality, security, and ability to obtain rapid feedback on product development.

Source: Enterprise Agility and DevOps, Building blocks for delivery transformation, Deloitte 2017



6 Fund products to support continuous value delivery

Today, IT organisations are primarily funded with a run and a change budget. As the organisation shifts to a product-based technology operating model, funds are allocated to products and allocations are not divided into run and change. With the help of so-called lean budgeting methods, the organisation can adapt more flexibly to emerging needs than with static yearly budgeting cycles. Leaders should focus on facilitating both development excellence and product innovation through a continuous investment mechanism by funding stable teams for a fixed duration.



7 Use a pilot approach when transitioning

Transforming a technology operating model is no small undertaking, especially since it touches upon both IT and the business alike. There are significant risks and pitfalls as new ways of working are established within a traditional organisation. As with any large change management initiative, the transformation requires long-term C-level and senior management commitment and support. A pilot approach is recommended to test the transformation hypothesis early and often and so minimise the risk of failure.



To keep up with the pace of digitalisation, organisations must start thinking about how to organise for both high-value and cost-efficient IT service delivery. Product-based operating models provide vast opportunities for those who master the transition and the parallel existence of traditional and new ways of working over a significant span of time. We believe “the impediments are not in the path – they are the path” (see also Deloitte’s Research on the “Tech Trends 2020”).

Contacts



Klaus Fojan

Director

kfojan@deloitte.ch



Philipp Stumm

Manager

phstumm@deloitte.ch



Julia Biller

Senior Consultant

jbiller@deloitte.ch

1. Based on Gartner research: “IT is moving quickly from projects to products”, October 2018

2. This is not an exhaustive list of principals. Deloitte is happy to answer any questions.

3. John Smart - Partner Business Agility Deloitte Principals: “Want to do an Agile Transformation? Don’t. Focus on Better, Value, Sooner, Safer and Happier”, June 2019



This publication has been written in general terms and we recommend that you obtain professional advice before acting or refraining from action on any of the contents of this publication. Deloitte AG accepts no liability for any loss occasioned to any person acting or refraining from action as a result of any material in this publication.

Deloitte AG is an affiliate of Deloitte NWE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NWE LLP do not provide services to clients. Please see www.deloitte.com/ch/about to learn more about our global network of member firms.

Deloitte AG is an audit firm recognised and supervised by the Federal Audit Oversight Authority (FAOA) and the Swiss Financial Market Supervisory Authority (FINMA).

© 2020 Deloitte AG. All rights reserved.