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MAXIMIZING CUSTOMER CENTRICITY:

Designing and Structuring IT Organizations for Product-Aligned Delivery

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The shift to product-aligned delivery has significant implications for IT organizational design, job family architecture and the culture of the workforce.

Technology organizations are making the move to small, empowered, product-oriented teams. These teams have fewer members who each bring broader capabilities across the full technology stack. The shift to product-aligned delivery has significant implications for IT organizational design, job family architecture and the culture of the workforce.

Product-aligned delivery can mean many things, but, at its most basic, this delivery model places the focus of the business – and the go-to-market products of the business – on the customer experience. Whether their products are physical, logical or digital, companies are paying more attention to how those products are consumed by customers in the marketplace than on how the company carries out its business. A shift to a vertical, product-aligned approach also can impact the enterprise's organizational design and culture. The shift for a company's workers from a functional- or skill-based organization to a product-based organization typically requires a massive culture change.

Developing and maintaining digitally enabled products often requires additional adjustments to an IT organization, including the flexibility to embrace a proliferation of new technologies and constantly changing technology skills. An IT organization moving away from a well-established hierarchical structure and job family architecture and toward these norms will likely undergo dramatic change.

As companies encourage their technology workers to adopt a product-oriented mindset and embrace the cultural changes it requires, they must address the following questions:

1. Does the current IT organizational structure empower or hamper the teams' decision-making ability?

2. Does the current organizational structure cause undue confusion about individual employees' authority and/or work prioritization?

3. What organizational changes will help IT workers, teams, and the wider organization better facilitate the cultural shift required for product-aligned delivery?

4. Do the current job families and roles support a shift from siloed skill specialization to more generalized skill attributes in technology workers (e.g. the movement to full stack development)?

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5. Does the job family and position framework support career progression, best recruitment practices, compensation fairness and workforce planning for more generalized skill attributes?

6. Does the performance management framework and incentive program clearly align to the product-oriented mindset?

7. How do these job families empower or hamper the culture change that is pivotal to product-oriented delivery?

The Culture of a Product-oriented Delivery Organization

Product-oriented delivery is powered by small teams dedicated to understanding the customer experience as it relates to business value. Looking beyond the affinity of a specific product, market or market segment, the team also has authority over how the work is done. The team's responsibility is to drive business value, which may include business objectives such as growing market share or improving sales. A vertical approach to product-oriented delivery requires operating much like a separate business and, therefore, product teams are given a broad level of autonomy to make decisions and conduct work in the manner that best aligns to those objectives.

This approach relies on some guiding principles of product management:

- **Decision-making authority –** To respond at the speed required by the market, the product team must have autonomy to make decisions regarding how to invest its resources, what technologies to use, which skills to engage, and how best to meet the needs of their customers.

- **Customer centricity –** Teams must focus on delighting the customer, shifting as their customer segment shifts according to changing perspectives, new market competition or disruption in the customer's perception of value.

- **End-to-end accountability –** The product team is responsible for the business value, development, and operational performance of the product. Financials, human resources, technologies, and even risk are all within the responsibility of the vertical team, and the team is accountable from end to end. This way, the team can make decisions based on the needs of the specific product and defined business outcomes. They can decide, for example, that higher defect rates are a good trade-off for the speed of feature / function release, or that the expense of using a cognitive technology will more than pay for itself in its ability to differentiate the product from its competition.

- **Resilience –** The team must be able to recover quickly, bend without breaking, and use cross-functional concepts (such as swarming) to ensure everyone is pulling toward the same priority in the moment. This requires team members to demonstrate multiple skills, the capability to play multiple roles, and the ability to contribute to the team's current activities.

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- **Experimentation –** The entire organization must adopt a learning culture that treats unsuccessful experiments as learning opportunities rather than failures. With behaviors that embrace test-and-learn mentalities, the team is given the freedom to quickly test different hypotheses, gather feedback from the customer, and then proceed based on lessons learned.

- **Agility –** The product team is responsible to act with the nimbleness of a startup; that means the team is empowered to act in the manner that best accomplishes the performance of its products and the speed to market required by its customers. The team should be less hampered by larger contextual standards or policies and allowed to unleash its abilities to laser focus on its product's value and customer's experience. Agile principles such as design thinking, iterative development, continuous learning, DevOps and team collaboration are core to both resilience and agility.

These principles result in a new way of working, including aligning people to new or different objectives, which requires organizational re-design and a significant cultural shift.

According to the American Management Association, an organizational structure "infers the allocation of responsibility as well as level of authority."

Figure 1 below shows two common organizational constructs. In the hierarchical example on the left, decisions flow down the structure with a smaller group of individuals at the top making core decisions. Each worker in the structure reports to one hierarchical "superior"; this construct infers a level of authority or power.

Figure 1: Organizational Constructs
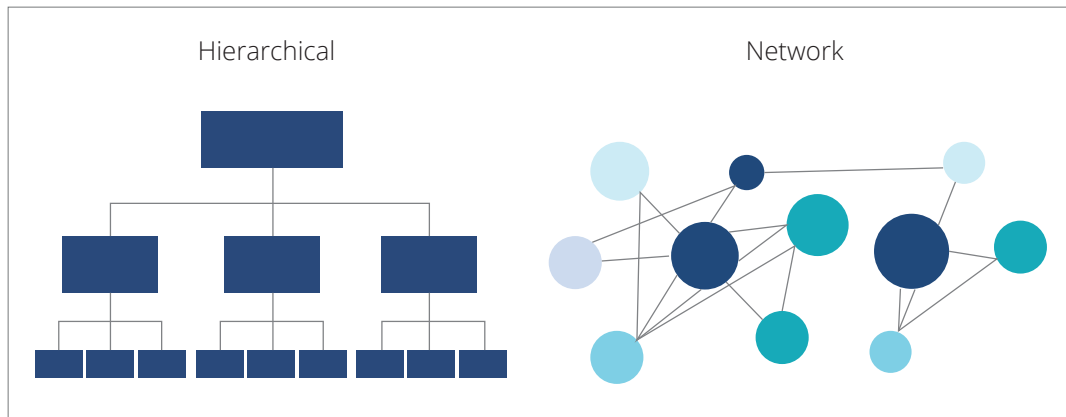
Types of hierarchies can differ based on how they are organized – which can be by function, skill, technical domain, etc. Regardless of its organizing principle, a hierarchical structure can provide clarity to the worker, but it can severely impede decision-making and the ability to act or react swiftly, which are highly desirable attributes of product-oriented delivery models.

In the above right network structure example, no such inference can be drawn to either decision flow or authority. Because the construct is more organic, the logical flow cannot be easily identified and the level of authority is latent. This may be purposeful with the goal of elevating all members to a similar level of authority, promoting worker empowerment or clarifying the decision-making expectations of all members. However, a network structure also can cause confusion when it comes to non-product related subjects, such as career progression, regulatory compliance or meeting enterprise objectives.

Trends in Organizational Structure

In today's competitive marketplace, speed and response time are critical. How organizations respond to customers can make or break a brand. Organizations that develop technologies and adapt to changes in the market faster are the ones that will survive the competition. To maximize response time, organizations have been flattening their hierarchical organizational constructs and introducing components of the network structure to create hybrid constructs.

A flat organization in which the middle layer(s) of the hierarchy is minimized or even removed naturally enables product-aligned delivery. While it tends to speed the decision-making process and empower workers, other important workplace matters like hiring, firing, compliance and compensation must still be considered.

A company that has addressed some of these workplace questions within a flat hierarchy construct is W.L Gore & Associates, a manufacturing company headquartered in Newark, Delaware, best known for its Gore-tex fabrics, Glide dental floss and Elixir guitar strings. The company has used a flat, informal structure for over 15 years. Gore leadership describes how the flat construct powers the company, which focuses on products and values rather than individuals. Within Gore, special committees make the major decisions around hiring, firing and compensation. All employees are expected to make day-to-day decisions, rather than relying on the "boss," and leaders are accountable to ensure all employees understand the goals and objectives. How they meet those goals and objectives is decided by the employees in small, product-oriented teams.

Gore has stated that its corporate structure fosters innovation and has been a significant contributor to associate satisfaction (employee turnover is a low three percent a year). Recently, Gore was named one of the 12 "Legends" on Fortune's "100 Best Companies to Work For."

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> **Culture is most influenced by the behavior of leaders and individuals within the organization.**

Other organizations are using a combination of organizational constructs in what is often called a "matrix" or even "helix" organization. A matrix construct commonly relies on a somewhat-flat hierarchy (organized around functions or skills) to perform administrative functions and network components to make work-related decisions. Individuals and product teams are empowered in the context of the product they are working on through the network, but the administration of their job comes through the hierarchy. So workplace matters – such as hiring, compensation, regulatory requirements, career progression, standardization for enterprise efficiency, etc. – are addressed through the hierarchy and what are often called "people managers" or "people leaders" in some corporations. Product- and work-related decisions are made by team members in a shared accountability model that places the product objectives first and are led by product owners or team leaders. This allows for the decentralized, "startup" mentality for product-related subjects as teams are faster, more resilient, more responsive, more flexible and more innovative. And, yet, the hierarchical element of the matrix can ensure that enterprise objectives, such as efficiency and compliance, are also addressed.

Can a Culture Change Without Organizational Re-Structuring?

Because different organizational constructs have different implications for decision-making authority, customer centricity, end-to-end accountability, resilience and agility, it's important for organizations to carefully consider which one is right for them. One thing is clear: maintaining the status quo can inhibit cultural change.

Culture is the sum of attitudes, customs and beliefs that distinguishes one group of people from another. Corporate culture refers to the shared values, attitudes, standards and beliefs that characterize members of an organization and define its nature. Culture is most influenced by the behavior of leaders and individuals within the organization. Common hierarchical organizational structures that define decision flow and source of authority often inhibit the necessary empowerment of individual product teams and team members at the very core of the product-oriented culture. Often, the organizing principle, whether it is function, skill or process area, can inhibit end-to-end accountability, resilience and agility.

Siloed thinking in any regard becomes anathema to cross-functional, full-stack, product team culture. This doesn't preclude hierarchy as a successful construct, but it does present challenges. Clarifying objectives and authority is key. For example, team members must know that their first responsibility is to the team and not their hierarchical function or process area. This requires people managers within the administrative hierarchical structure to encourage this affinity to the product team and support the shift to cross-functional team performance through their own individual leadership behaviors. While a traditional organizational structure may innately imply a formal decision flow and level of authority, the new product mindset sets the expectation that leaders and workers will need to behave differently than the traditional hierarchical structure may imply. This can be a tall order.

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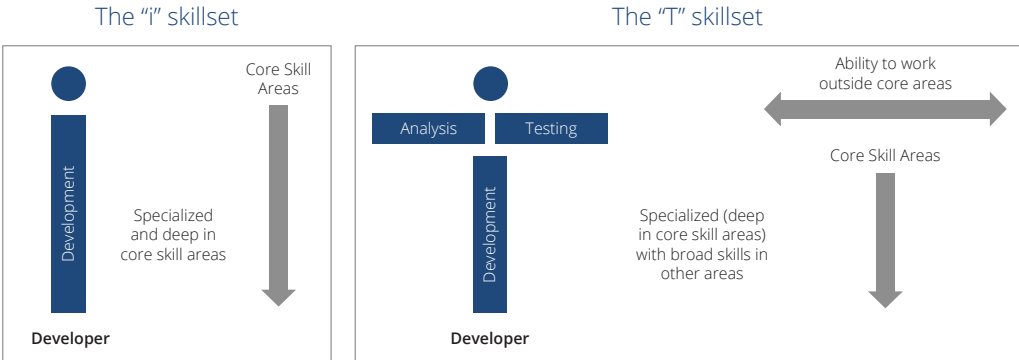A structural reorganization prepares people and teams for the requisite, positive and necessary cultural change. Even if the new structure does not completely exemplify the shift to product-orientation, any change to structure will subsequently send a strong signal that a change in decision-making, authority and workflow is on its way. Flatter organizations are becoming more common because they are better able to signal the simplification of decision flow and empowerment of teams.

The Shifting Skills of Technologists

Partially due to the shift to smaller teams and partially due to the changing technology landscape itself, the desired skills of people who work in technology are changing. While the market has for some time been focused on specialization by function and/or technology domain, the advent of cloud, everything-as-code and smaller product teams has resulted in a shift to specialization with generalization. This is often referred to as a shift from "i" shaped skillsets to "T" shaped skillsets.

Figure 2: Skillset Models

The "i" skillset — Developer — Development — Core Skill Areas — Specialized and deep in core skill areas

The "T" skillset — Developer — Development — Analysis — Testing — Ability to work outside core areas — Core Skill Areas — Specialized (deep in core skill areas) with broad skills in other areas

While specialization continues to be an important attribute of technology workers, their ability to provide breadth in functional or technology areas is at a premium. As teams become smaller, they must be made up of members who have more skills and capabilities. While a team may not need a full-time test specialist, for example, it may at times need test capabilities. Having someone on the team who can perform that function is more efficient than searching and finding a test specialist for those infrequent or periodic needs.

And, as automation continues to expand throughout the technology ecosystem, the need for certain specific domain skills is diminishing. Infrastructure capabilities are moving to logical cloud platforms, network management is shifting to automated orchestration, testing is swiftly moving to script automation. The expansion of automation and cognitive solutions

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lessens the need for individual people with those deep skills. Simultaneously, everything-as-code is driving more generalist positions within the marketplace overall. To this point, a simple search on technology jobsite *Indeed.com* astonishingly shows that there are more than triple the number of open DevOps and full stack jobs as there are traditional programmer jobs. Full stack developers, DevOps engineers, and automation engineers are some of the new roles spawned by the need for multiple skills within a smaller product team.

Generalization of skillsets from "i" to "T" is not just about technical skills. When it comes to creating a team culture for product-aligned delivery, the need for soft skills may outpace the need for technical skills. Working closely in teams requires emotional intelligence, situational awareness, communication, experience collaborating in diversity, conflict resolution, adaptability, dependability, social intelligence and self-awareness, to name a few. Business knowledge of a specific product area is also at a premium as product teams align and integrate with the business functions their technology capabilities enable. In some cases, as automation and low-code environments reduce the need for deeper technology expertise, business and market knowledge may become as, if not more, important than deep technology skills.

The shift toward smaller teams with expectations of expanding skills and duties may also disrupt the job family / position architecture in traditional organizations. Even the initial shift to product teams can result in people of various titles and levels fulfilling the same role or at least working at a peer level. HR departments are beginning to consider an older practice using broader job families and titles with differing compensation levels to differentiate more highly skilled or experienced workers. Career progression is a factor; while a worker once considered career advancement to lead from design to architecture, for example, those paths may become obsolete. Advancement may now be achieved via a broadening of skills rather than specialization of function. In any case, the architecture of job families and positions needs to be carefully considered as companies shift to smaller product teams.

Performance Management and Incentive Programs

When enabling a culture shift that promotes teamwork, performance management and incentive practices can be particularly influential. A model that encourages teamwork often relies on shared objectives across all team members. Rewarding the results of the whole team fosters teamwork across all members and assures a consistent focus on common outcomes. Recognizing the team as a collective promotes their collaboration and allows them to see themselves as an integrated unit. Teamwork, however, does not denote a lack of individualism; instead, it is a group of individuals with different skills and knowledge working together to meet a common objective. Therefore, recognition of individual capabilities will continue to be integral to performance and incentive practices. Organizations often rely on individual team members to assess other team members' contributions, using a 360-degree review mechanism. This mechanism often is used to evaluate a team's overall soft skills, with the team assessing its requirements for collaboration and its efforts toward that end.

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Product teams depend on leadership to stay focused on team goals, ensure the team is organized and prepared to carry out its mission and motivate team members to use their talents. While leaders should participate in the shared objectives of the team, they often have additional objectives related to team building and product management as well. Team members can use the 360-degree review mechanism to assess the leader's capabilities in this regard.

Organization Design Imperatives

As organizations shift to a product-aligned mentality, introduce new technologies and engage in new ways of doing business, they must address other aspects of the organization as well. These include how the organizational structure is designed, how metrics are used to drive performance, what skills and talent are needed and how culture will reinforce the new strategy. They also must consider how the new job architecture approaches fit into the overall organizational design and what kind of culture the design promotes.

While meeting market demand requires a significant shift in organizational structure, job family architecture and a move toward smaller teams, the organizations that succeed will rely on strong sponsorship of leading in a new way (empowering) and an overall willingness by both leaders and individuals to continuously change and adapt.

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Ola is an IT transformational thought leader with over 25 years of leadership experience within various industries helping enterprises make transformation change. She is a seasoned professional with expertise in emerging delivery models that contemplate the rapidly changing technology landscape. She has advised corporations in the opportunities related to emerging technologies, and is fluent in Enterprise Agility, DevOps, cloud, and automation. Ola leads ISG's Enterprise Agility practice in the Americas.

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