

COMING INTO THE CENTRALIZED  
IT FOLD

# Mitigate the Risks of “Shadow” IT Organizations with a Roadmap for Sourcing Integration



As large organizations grow, both organically and via acquisitions, they tend to develop pockets of cross-functional capabilities within their business support departments. The most common cross-functional capability to develop is the management of information technology (IT) functions within other support departments, such as Finance. Various conditions can create these “shadow” functional departments, but the primary ones are slow response times, low confidence in the mainstream department’s service performance and support levels, and a lack of trust among the parties involved.

Shadow IT groups are likely to exhibit these characteristics:

1. Broken processes.
2. Highly custom application portfolios built over a period of time, with little to no documentation.
3. Use of non-standard technologies.
4. Presence of independent, small contracts with third-party vendors that cannot leverage the standard corporate tool sets.
5. Often perform business support activities that a typical corporate IT department would not.

Most organizations do realize the potential risks that shadow groups pose to their business, in terms of compliance with controls, data integrity, etc., as well as the inherent inefficiencies of a lower leverage of scale. When organizations decide to address these risks by integrating such cross-functional groups within their IT departments, they often do not follow through, or the integration is long and unpleasant, with less-than-desirable results.

Organizations can improve this process by following ISG recommendations for integrating shadow IT groups into corporate IT organizations.

### **START WITH THE PROBLEM, NOT THE SOLUTION**

Do not start with an end state in mind. Adopt an objective process for integration, making sure to fully involve the in-scope groups while allowing a well-considered end state to gradually and fully evolve. For the first step in this process, it is absolutely critical that the organization create a business-focused, unambiguous problem statement that highlights the risks, inefficiencies and costs that exist with the current functioning of the shadow group. This statement helps bring executives and key stakeholders together around a shared, objective platform, while helping them understand why integration is necessary. Defining a solid project charter in terms of clear objectives, guiding principles for project execution, expectations, and key success factors tied to business outcomes provides a strong foundation for integration.



Create a business-focused, unambiguous problem statement that highlights the risks, inefficiencies and costs that exist with the current functioning of the shadow group.

COMING INTO THE CENTRALIZED IT FOLD



## **OPEN COMMUNICATIONS CHANNELS WITH KEY USER GROUPS AND STAKEHOLDERS**

It is likely that stakeholders and key users are accustomed to a certain level of service, and they may be concerned that the corporate IT department will not be able to offer the service levels they expect. Listen to their misgivings, and try to be empathetic. Learn from them what works and what does not in the current setup; ask them about their key expectations for service delivery and an IT interaction model; help them understand how corporate IT works and how similar levels of service performance can be delivered with added benefits.

## **CAPTURE ALL OF THE SHADOW GROUP'S ACTIVITIES TO DETERMINE THE SCOPE OF TRANSITION**

Key stakeholders and executives, from both the shadow IT group and corporate IT, should take part in a comprehensive assessment of the shadow IT group's activities to ensure a successful integration. First, the shadow group's activities should be categorized into business support or technical activities, while jointly developing a go-forward RACI ("responsible, accountable, consulted, informed") matrix. Process information should be documented as needed. The next step in the assessment is to perform a detailed skills analysis of the resources in the shadow IT group, based on the RACI matrix. This analysis will identify those individuals and groups who are best suited to providing business support activities within the business support function, as well as individuals and groups who are candidates for transition to IT. Such an approach provides for business continuity with respect to user experience and service delivery. It also eliminates emotional decisions with respect to retaining and transitioning staff members.



**Define short-term and medium-term operational models that lay out how the transition will unfold.**

## **CONDUCT A THOROUGH ANALYSIS OF THE APPLICATION PORTFOLIO MANAGED BY THE SHADOW GROUP**

An objective, comprehensive assessment of the shadow IT group's application portfolio is also critical. Be sure to capture all information about the applications the group manages, including their complexity, maturity, degree of change, degree of customization, key in-flight projects, etc. Use this information to develop a risk profile for the application portfolio that identifies the operational, financial, compliance, and security risks that a potential transition could pose. Identify practical mitigating actions for each of the risks, and keep the risk log live. This profile brings objectivity to the entire process, and it also helps to identify potential consolidation and rationalization opportunities based on the standard corporate IT toolsets.

## **CONSIDER AN INTERNAL TRANSITION FIRST, WITH A LONG-TERM ROADMAP FOR SOURCING INTEGRATION**

A potentially low-risk approach, and one that is more palatable to the stakeholder community, would be to avoid "rocking the boat." An organization can keep service delivery levels relatively stable while mitigating fears among user groups and individuals to be transitioned by defining short-term and medium-term operational models that lay out how the transition will unfold. Even if a majority of IT activities are outsourced, an organization could consider an internal transition that provides a runway for stabilization — effectively addressing user expectations before outsourcing the transitioned scope. The organization must continue to focus on internal communications among all affected stakeholders at all key stages of the transition.

## **COMING INTO THE CENTRALIZED IT FOLD**

## ABOUT ISG

**Information Services Group (ISG)** (NASDAQ: III) is a leading global technology research and advisory firm. A trusted business partner to more than 700 clients, including 75 of the top 100 enterprises in the world, ISG is committed to helping corporations, public sector organizations, and service and technology providers achieve operational excellence and faster growth. The firm specializes in digital transformation services, including automation, cloud and data analytics; sourcing advisory; managed governance and risk services; network carrier services; technology strategy and operations design; change management; market intelligence and technology research and analysis. Founded in 2006, and based in Stamford, Conn., ISG employs more than 1,300 professionals operating in more than 20 countries—a global team known for its innovative thinking, market influence, deep industry and technology expertise, and world-class research and analytical capabilities based on the industry’s most comprehensive marketplace data. For additional information, visit [www.isg-one.com](http://www.isg-one.com).

**Let's connect NOW...**



COMING INTO THE CENTRALIZED IT FOLD