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| CIO Organizational Structure Memo Paper |
| University of Maryland University College IFSM 301 6380 – 2178 October 8, 2017 Group 6: Joseph Ross, Surtej Sarin, and Joshua Terry |

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| Kalch Distribution Company |
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# Memorandum

**TO:** Chief Financial Officer (CFO)

**FROM:** Leona, Chief Information Officer (CIO)

**DATE:** October 8, 2017

**SUBJECT: CIO Organizational Structure**

**Introduction and Purpose**

*KALCH Distribution Company (KDC) provides transportation and distribution services across the Mid-Atlantic region and makes a revenue of $39 million with 4% profit per year. The company is experiencing stagnant growth due to a slow economy. It aims to cut expenses by 5% and allocate these funds towards new initiatives (University of Maryland University College, 2016). In order to increase company profitability and growth, the Information Technology (IT) department needs to become a true CIO organization. This* *proposal addresses changes to the IT organizational structure and includes the following initiatives: establishing a training and development program, creating a governance committee, improving management processes, implementing a cloud-based IT system, and innovating technology systems.*

**Leadership Philosophy**

**To our Team:**

This section – on personal leadership – covers my leadership philosophy and management style. I have previously worked as a Deputy CIO at a manufacturing company and have extensive practical knowledge on network operations and security. It is my privilege to accept the role of CIO and to work together with you to help reach KDC’s goals for success. I will accomplish these goals with your support and through communication, trust, and delegation. It is my belief that following these principals will reward our company and inspire positive change in our employees.

**Defining leadership and my role:**

Leadership is “a process of social influence, which maximizes the efforts of others, towards the achievement of a goal” (Kruse, 2015). Regarding my position as CIO, the “primary role is leadership: setting a goal, a vision, a direction, and motivating and inspiring. The really good people know how to work smart. Working smart is surrounding yourself with good people and not trying to solve every problem yourself." (Wailgum, 2004).

**I lead by:**

* Setting achievable goals and measuring progress to meet the desired goals
* Encouraging participation, collaboration, communication and contribution from all staff members in a positive environment through employee engagement
* Delegating tasks and assigning official responsibilities to individuals to provide a sense of ownership and accountability in order to encourage and support their growth
* Being part of the process, being self-motivated, listening to team members, and focusing my attention on both my team and clients
* Staying well-informed of new technologies and fostering innovative ideas

**I place great value in:**

* **Communication:** During my time here, I have had the opportunity to interview the staff members, senior management, and clients of KDC. Through my customer visits I have communicated our vision, listened and learned about customer requirements, and obtained important feedback, which I will take into consideration in my efforts.
* **Integrity:** I will earn the trust of my team by ensuring protection and stability; “One facet of [my] job as a CIO or IT executive is to protect [my] team, [my] department, people in other departments, and [my] enterprise” (Gartner Inc., 2016). I will uphold this position and be responsible for the protection our company, employees, and stakeholders. I will be proactively ensure the safety and security of the infrastructure and company and customer data so as to mitigate new risks and security threats.
* **Accuracy:** I will aim for accuracy and work smartly with my team to deliver high-quality services because I understand that the support and trust of end-users is important to our company. Eliminating inaccuracies and correcting mistakes builds confidence in our team and stakeholders.

**My plan:**

Leadership starts with a clear vision. Upon receiving my position at KDC, I made a plan to:

* “Update the IT strategic plan to link to the new strategies in the corporate plan
* Engage customers in a proactive way to identify and prioritize IT projects that will help meet the new goals, and develop a set of requirements for each project
* Decide on the best approach to modernize the information systems that will meet requirements at a reasonable cost, and make some changes to the IT organization” (University of Maryland University College, 2016).

**My vision:**

The CIO organization will help KDC deliver extraordinary technology services to customers. It plans on achieving this through aligning with KDCs business strategies and staying up-to-date of new business concepts and technology. Furthermore, the CIO organization plans to expand its presence and provide high-quality and affordable services to prioritize needs of both the business team and customers.

The following sections of the memorandum address important strategies, organizational changes, key milestones, and staff roles for the CIO organization.

**Internal IT Strategies**  
An important part of shifting from a traditional IT department model to that of a CIO organization is establishing internal IT strategies that not only align with the mission and vision statements for the IT organization, but also with overall business strategies. The short-term (2-3 year roadmap) shall focus around five internal IT strategies that address people, process, and technology:

* + **Establish training and development program (People)**  
      
    Through a series of interviews, it has been determined that there is an overlap of roles and responsibilities that has led to low morale. Additionally, there is a perception that the competency level of the help desk is low. Establishing a training and development program will address weaknesses in workplace skills, improve employee performance, establish process consistency, and increase morale by showing staff that they are valued (Frost, n.d.).
  + **Establish IT Governance committee** **(Process)**  
      
    Perhaps the greatest function of the transition into a CIO organization is aligning the IT organizational strategies with those of the business. Interviews have shown that applications developed by Kalch IT staff have not typically reflected the needs and desires of the business. The establishment of an IT Governance committee shall ensure alignment of IT and the business with respect to services and projects, drive maximum business value from IT, and provide increased transparency and accountability.
  + **Establish Change Management process (Process)**To support the need for better alignment of IT resources, reduction in risk and inefficiencies, and reductions in costs, a change management process shall be established. A successful change management process shall grant project managers and senior leadership greater abilities to assess the success of projects during each critical stage, and will better prepare the organization to predict and respond to challenges that may arise during these stages (Lewis, 2014).
  + **Define Cloud (SaaS) Roadmap (Technology)**To further reduce IT costs, provide greater application mobility, stability, scalability and to drive innovation, a cloud roadmap shall be developed. Utilization of cloud computing will allow Kalch to focus on more value-added activities such as software development, business analytics, enterprise architecture, and strategic vendor relationship management (Deloitte, 2013). A reduction in IT costs will be realized through less time spent on operations and maintenance of on-premise infrastructure and applications, as well as lessening Kalch’s data center footprint.
  + **Implement technology refresh (Technology)**

Having a technology refresh will help KDC IT team restructure and advance their technology systems, improving speed, reliability, security, and capacity. This is pertinent with new projects in development in the IT portfolio, such as Accurate Financials, which is automating tasks for the accounting team.

A technology refresh aligns with the second business strategy - coordinating pickup and freight delivery and fifth business strategy - meeting SOX compliance requirements, which require accurate and reliable data reporting. With updated systems, KDC will be able to support business functions by modernizing any manual processes.

**Current IT Department**

Currently, the KALCH IT department employs 22 individuals, including myself. As currently aligned, two shift supervisors are responsible for managing the day-to-day operations. Six helpdesk personnel, seven programmers, two network engineers, our computer security expert, and our financial systems specialist report directly to the shift supervisors. The shift supervisors report to me and provide updates as appropriate. I also have two personal assistants assigned to me to assist in administrative and logistical tasks.**New CIO Organization**

The previous section provides an organizational chart that covers the current IT department and includes the current roles and responsibilities of all IT staff at KDC. An IT department is a support service that primarily focuses on the tactical aspects of IT in daily operations; it is “responsible for the architecture, hardware, software and networking of computers in the company” (Kelchner, 2017). The IT department has an IT director that “is responsible for managing the day to day technical and operational issues of the IT department including front and back of house IT services, for instance managing virus outbreaks, enabling the newest phone or PC to receive the company’s service catalog, or improving the internal customer experience using the service desk” (Willard, 2013).

In contrast, a CIO organization is a strategic model that combines IT and business and focuses on long-term objectives, such as: company growth, cost-effectiveness, competitive advantage, upgrading technologies and systems, policy and compliance, system backup and security protocols, and budget and fund procurement. It is especially beneficial in an IT environment that is complex and decentralized. “An Office of the CIO structure is a team-oriented approach to IT management in which the CIO delegates specialized IT roles-essentially, the ideal IT org chart. An OCIO is born out of a desire for solid IT governance processes-a vision of repeatable IT processes, clear lines of project accountability and consistent communication of standards” (Wailgum, 2004). Furthermore, the CIO oversees the CIO organization and delegates tasks to externally focused functional directors, who have business experience; the "OCIO can be the first step toward elevating the stature of the IT function to the executive committee level" (Wailgum, 2004). This new model improves the organization’s capability maturity model (CMM) and enterprise architecture management. According to Ilee Rhimes, CIO of The Ohio State University, the most important benefit of the CIO organization is it “[improves] communication at the higher levels [and] allows the executive leadership to view technology as an investment” (Wailgum, 2004). On the topic of cost-savings, Frank Clark, CIO of the Medical University of South Carolina, admits that, after implementing the OCIO, his team has seen huge savings and has helped him “consolidate vendor contracts, acquire site licenses and reduce maintenance costs” as well as “establish consistent job descriptions and salary ranges across his department” (Wailgum, 2004). Instead of spending IT budget in IT, the CIO organization allocates IT budget towards investments in the company across business lines to meet business goals. “Technology can drive revenues, reduce overall costs, and lower risk. By seizing opportunities and mitigating threats, companies can dramatically improve their performance in all sectors” (How Much Should a Company Spend on IT?, 2017). In essence, a CIO organization is an enterprise service with a CIO, at the forefront of the organizations technological innovations, who establishes policies, delegates tasks, and makes strategic efforts to benefit the entire organization.

**Key Services**

Our transition from an IT department into a CIO organization requires clear definition of the key services that are provided to KDC's business units. These key services must align with our previously mentioned IT strategies as well. There are six key services that we shall focus on moving forward:

* + Finance and Accounting services

KDC has a commitment to providing efficient and reliable technology solutions for our bookkeepers and accountants. The Accurate Financials project to upgrade our existing finance and accounting system, as well as the Management Reporting System project, which shall provide senior management with financial data in a more usable format align with our technology refresh strategy.

* + Transportation Management System (TMS) services

Upgrading our existing route optimization and freight tracking system to a modern TMS system also aligns with our technology refresh strategy, and will improve time-to-delivery and efficiency for our warehouses. As this project has yet to begin, we can investigate cloud solutions for this, so as to align with our strategy to develop a cloud roadmap.

* + Fleet Maintenance System  
      
    Ensuring that our trucks are always in compliance with maintenance checks is important, and providing a reliable fleet maintenance system is critical to ensuring fleet reliability.
  + Application Development

KDC develops the majority of our software in-house. As such, it is important that we have a highly-trained development team available to develop the applications that drive KDC to success. Our developers will be fully engaged in the IT Governance process that we look to develop as part of our IT strategies.

* + Workstation Support

Ensuring that a well-trained support staff is available to remedy any incidents related to IT equipment or software is important. Our workstation support team will be trained to support emerging technologies and provide assistance for all KDC staff.

* + Information Security

Ensuring that KDC's IT infrastructure is secure and not prone to attack is essential to maintaining compliance. Information Security services are provided to KDC employees via virus detection software, network firewalls, and email message security solutions. Information Security will be a key participant in Change Management processes to ensure security compliance.

**New CIO Organization Structure**

The proposed organizational chart shown below effectively aligns KDC’s IT resources to support our IT and business strategies. The creation of five distinct teams allows for centralized management of services and aligns the CIO organization for appropriate governance. The **Application Development** team will formally organize the developers and shall be led by the Application Development Manager. We shall select an appropriate candidate from our existing developers to promote to this position. The **IT Finance** team will oversee our financial and accounting systems, policies and procedures. We shall either promote our financial systems specialist to this role, or we will need to hire for it.

The newly created **IT Security and Network** team shall be responsible for the configuration and support of information security and network policies and procedures. We shall promote our security expert to the role of IT Security and Network Manager, and our two network engineers shall report to them. Our two existing shift supervisors shall lead the **Help Desk** team and **Transportation Systems** team. Two new positions shall be created for Transportation Analysts. These positions shall report to the Transportation Systems Manager. We shall investigate transitioning two of our existing helpdesk personnel to the Transportation Analysts roles, and hire or contract two new helpdesk personnel.

The delegation of supervisory activities shall allow me to concentrate on more strategic initiatives and will lessen the need for two personal assistants, so I shall eliminate one of those positions

**Key Milestones**

Every project or task should identify goals or milestones that gauge the progress of the entire project. KDC’s IT organization has identified the following six milestones have been identified for KDC projects:

• Ensure Fleet Compliance

* Fleet Maintenance has been identified as a key service for KDC. A key milestone is to ensure that KDC meets 100% compliance by the end of the fiscal year. Targeting the end of the fiscal year, will give ample opportunity for fleet maintenance to schedule vehicles for maintenance. To meet this goal, Fleet Maintenance will need to aggressively schedule vehicles for service and may cause strain on freight delivery scheduling.

• KDC will transition the Accurate Financials application from development to production.

* Moving the application from development will help KDS replace their legacy systems and begin using Accurate Financials for their business needs. The system will move to production no later than the 2nd quarter of our fiscal year. A concern for moving to production will be introducing a new system is users not being trained to use the system. Accurate Financials will be providing trainers to teach users of the system.

• Workstation Patching

* Both information security and Workstation support were identified as key services for KDC. To maintain both the performance and the security of workstation, all workstations will be patched 100%. Software patching may cause issues for workstations if not properly tested. Systems may experience outages but the benefits of patching systems out way the risk for outages. KDC will set the goal of systems be fully patched three (3) months from the delivery of this document.

• SCRUM for Application development

* To assist in the application development KDC developers will implement scrum to track their projects. Scrum is a powerful Agile project management solution to application development. SCRUM helps developers identify tasks, managing time more efficiently, and grouping developers into teams (LEI, Ganjeizadeh, & Ozcan, 2015). SCRUM will be fully implemented by the 2nd quarter of the fiscal year. Developers may struggle with SCRUM concepts at the beginning of the process but should see the values in it principles.

• Cloud Adoption

* KDC will migrate all on-premise applications to the cloud by the 4th quarter of fiscal year. Cloud adoption has been identified as a key IT strategy with its benefits described earlier in this document. Moving to the cloud will require some development and testing and also may entail system down time during migration.

• Change Management Adoption

* KDC will implement a change management process to track IT projects and changes in their IT environment. As described in earlier sections, change management will efficiently track changes in the KDC environment and will reduce issues caused by change. Change management process will be implemented by the 1st quarter of the fiscal year. The adoption of the change management process may be slowed and impede productivity at first. After the change management process is fully implemented the reduction in productivity is expected to subside.

**Conclusion**

As a leading transportation and distribution service in the Mid-Atlantic, KDC finds itself in a challenging time. The company is experiencing a stagnation in growth due to outside variables and must adapt to compete. KDC is investing in itself to promote profitability and growth. The above proposal has laid out key strategies, services, and milestones to achieve the growth that KDC needs to remain competitive in today’s environment. Strategies such as Cloud adoption and technology refresh are moving the company to utilize new technologies and reduce IT operating cost. By Implementing change management, IT governance, and training programs; KDC is investing in its people as well as the technologies that support them. To support these initiatives both services and milestones were identified to support and track the progress of these strategies. These recommendations will help drive KDC’s growth and set the company on the path to success for years to come. By aligning IT strategy with KDC overall business strategy, KDC’s IT Department will become a CIO organization to better support the KDC’s transportation and distribution service.

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