

iCOOC COO forum, 26th January 2023 - Observations
and Insights

Moving out of the Shadows

Citizen Development helps Banks and
Asset Managers Keep Pace with the
Demand for Digital Transformation



ARMSTRONG WOLFE™

In January, iCOOC members from North America and Europe attended a virtual forum to discuss the concept of Shadow IT. In attendance were COOs, innovation and transformation leads from 16 organisations. The following is a translation and summary of the key themes and observations made in the 60-minute discussion.

Business managers have always struggled with the slow pace of change that IT departments deliver and have long sought ways to bypass them, and it is by the term 'Shadow IT' that we now collectively refer to their efforts.

Starting with PCs and Microsoft Excel, business users downloaded data from corporate systems and built spreadsheets to analyse data and create reports. With the advent of cloud computing and low-code development, a business can build enterprise scale applications without the involvement of corporate IT.

Terminology

The term shadow has a negative connotation and is driven by the IT organization's desire to maintain control over the development of technology inside the company. IT departments are charged with making sure that technology infrastructure runs effectively and continuously. Technology outages can be very costly, and IT executives are on the hook to prevent them.

Furthermore, the term 'Shadow IT' is becoming an increasingly old fashioned one, with many preferring the far more neutral 'citizen development', or even to disregard the traditional boundaries with regular IT, in the belief that proper integration between the two, as we shall argue is the way for progress to be achieved, will render any separation of the concepts unnecessary.

Progress

The technology advancements of the past several years have introduced new capabilities that businesses need to capitalise on to improve the customer experience, create operational efficiencies, and compete with fintech start-ups. These transformational challenges and opportunities create demand for IT capabilities that can only be filled by sharing the load between the IT department and the business.

Historically, transformation involved making strategic changes to the business across people, process, and technology. Digital transformation has introduced a new pillar, data. Virtually all digital transformation initiatives involve significant investments in data and data management capabilities.

Working with data is challenging as the volume of available data is increasing but IT resources need extensive input from the business to source, cleanse, and manage the data to create meaningful insights for the business.

The idea of 'ordinary' and 'shadow' IT belies the complexity of the various systems utilised by businesses, creating a black and white distinction where in fact what we are looking at is a sliding scale, with no code/ low code programmes at the one end, and engineers sitting in the tech department at the other. Yet between the two, there is much room for interplay, and indeed, it is here that can be found the road to IT success.



Integration

Companies have in previous years tried, without success, to eradicate 'Shadow IT', and this has in part augmented its negative association, and trying to utilise it to the advantage of the company, to some, seems alien. Yet the integration of IT professionals in the IT department with the capabilities and nuances of 'Shadow IT' holds within it the potential to drive forward the development cycle and give businesses the edge. There is a need to bridge the gap between the IT and business sides, to integrate them in such a way that neither one dominates the other, and yet they are able to work in harmony.

There will always be a healthy tension between the business and IT. Technology projects require inputs from the business to ensure that the functionality meets the needs of the business. This process, known as the systems development lifecycle (SDLC), often involves multiple layers of participants and artifacts that take time to create, review, and agree to.

SDLC processes have evolved from sequence oriented and documentation heavy, referred to as a waterfall, to agile processes that reduce the time between collecting requirements from the business and releasing code into production.

In banking and asset management there are certain functions that have used methods to bypass the traditional SDLC process of corporate IT. Quantitative analysts, called quants, often play the combined role of the user and developer.

Combining these functions materially reduces the time and effort to leverage technology to produce a business result, but not all areas of the business can use this approach to enhance productivity. Many business areas need the discipline and controls to make sure defects, security issues, performance issues, and other outage-creating risks are not introduced into the infrastructure.

Capitalisation

Creating a framework that both enables citizen development and provides the necessary guardrails to protect the company's infrastructure creates tremendous benefits for the organization. The business side has traditionally excelled, in developing Shadow IT, at identifying and solving problems effectively, at innovating in ways which the IT department are not accustomed to.

The professionals on the IT side, for their part, are capable of fitting this innovation into a working framework, of building robust and trustworthy programmes that will continue to function. IT is an important part of the business, and its efficacy can only be increased by developing it as the platform for shadow IT to thrive.

Traditionally it has been common to level accusations of backwardness at IT departments which have been seen as 'slowing down the business' in terms of innovation. Having IT professionals and business developers sitting together on the trading floor, i.e geographically bringing them together, is one approach to combat this, so too is stripping away the layers of Managers within IT departments, where a lot of human resources is dedicated to liaising with the business side, and only a limited element to coding and development. Having the two groups work more closely allows the focus of the IT department to be solely upon progress and innovation.

Many firms have also chosen to outsource their IT, to firms which are themselves driven by the idea of progress, which again helps to mitigate the slack that lax IT departments have been placing on businesses.

Contact us

Maurice Evlyn-Buften
CEO, Armstrong Wolfe
maurice.evlyn-buften@armstrongwolfe.com

Gwen Wilcox
COO, Armstrong Wolfe
g.wilcox@armstrongwolfe.com



Find us on LinkedIn: [Armstrong Wolfe](#)

ARMSTRONG WOLFE™