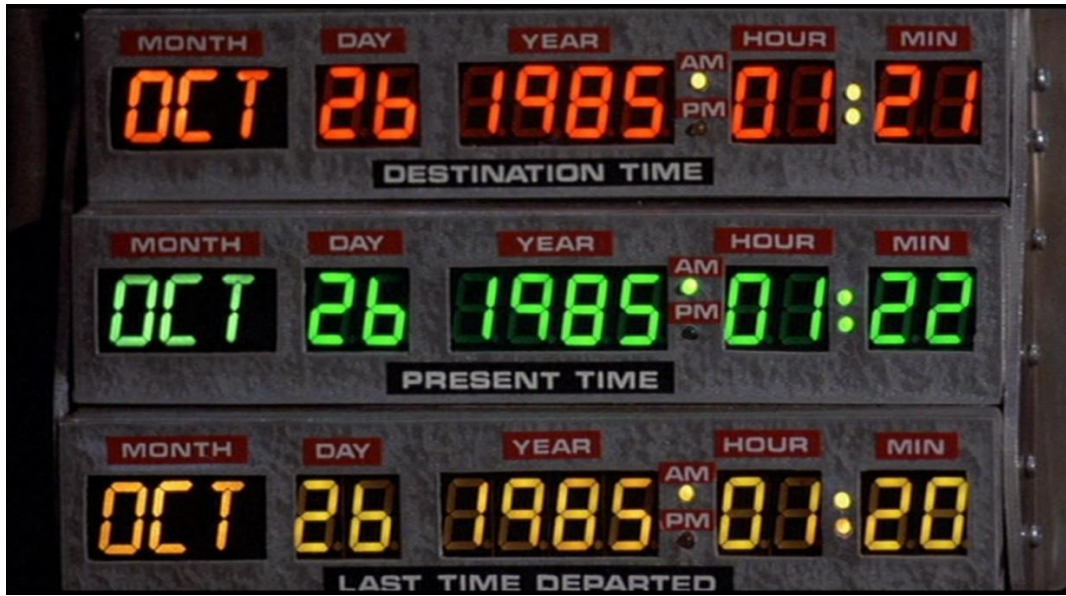




BACK TO THE FUTURE: A CONVERSATION ABOUT IT ORGANIZATION STRUCTURES

- BASED ON ITIL'S 1ST DIMENSION: ORGANIZATIONS & PEOPLE

BUSINESS AND IT ORGANIZATION MODELS

INTRODUCTION

Reading about organization changes and reduction in staff due to automation in the news, brought back to memory twelve years talking about organization design and organization change management for IT in ITIL®v3.

Topics during conversations about organizations frequently included these questions:

- ☐ What is the best IT organization structure?
- ☐ Where should the IT organization report into?
- ☐ Who should the CISO, CTO, and CIO report to?
- ☐ Should we have a Service Management Office?

During the past seven years teaching ITIL®_4 and the first six months of this year studying, certifying, and teaching ITIL® (Version 5), I found there is only generic guidance about IT organization structures and models and about a Service Management Office.

When it comes to ITIL's Organization & People Dimension, organization structure is one the many elements in that space. That dimension also includes capacity & competency of the workforce, roles & responsibilities, leader competencies, and culture.

This blog adds a layer of information to ITIL's Organization & People Dimension by going back to lv3 to guide a conversation about IT organizational models and methods to consider.

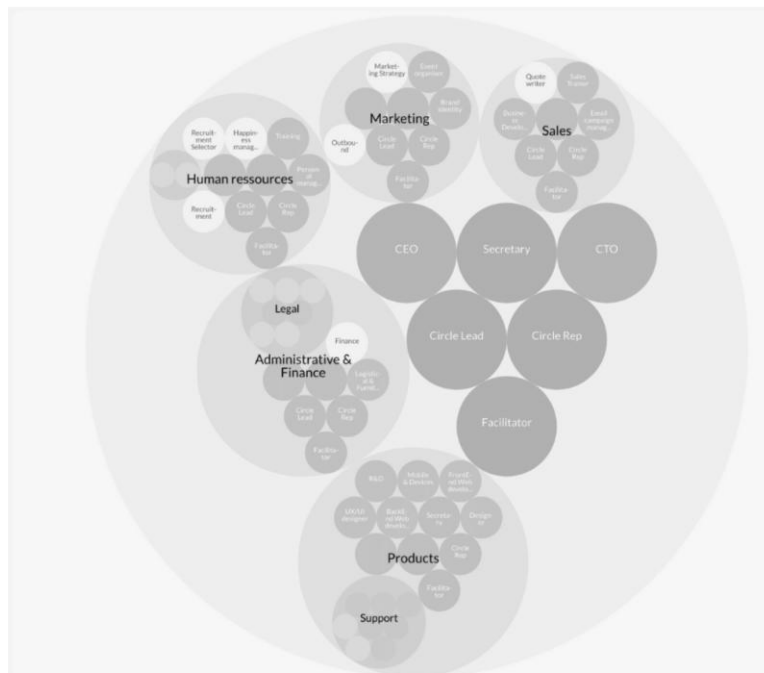
This is also a response to the above and similar questions from facilitating IT maturity assessments, consulting, certification, presentations, training, and workshops.

Please note that the ITIL® is a registered trademark and that the figures from it are illustrative, non-prescriptive guidance.

MACRO ORGANIZATION MODELS

There are six, commonly used, macro-level organization models:

- 1) Hierarchal – A legacy, internal organization model that IT serves all biz units in the same manner that Finance, HR, Legal, Facilities, et al serve all revenue generating business functions; a line/staff approach
- 2) Functional – three or more vertical levels of divisions and departments, each consisting of its own horizontal, work-focused groups/teams/units
- 3) Matrix – a grid of horizontal & vertical managed functions, with dual reporting
- 4) Flat – horizontal functions within two vertical levels
- 5) Network – relational connections across, within, and between functions and levels; internal or external
- 6) Holacratic - decentralized or situational {ad hoc} functions using (self-managed) teams that may be used within or between other internal or external types



Example of a holacratic functional structure

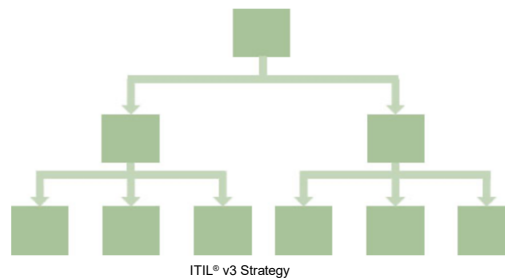
These archetypes may be combined to cover the breadth and depth of the organization's vision, purpose, scale, and scope; such as having a support function or a development team in on-shore, off-shore, or near-shore, owned, leased, or outsourced locations that are separate from the corporate locations in the parent country.

Typical IT functions, separate from the business to consider for product vendors and service providers are strategy, product, service, development, transition, engineering, service desk, support, architecture, manufacturing, marketing, and sales.

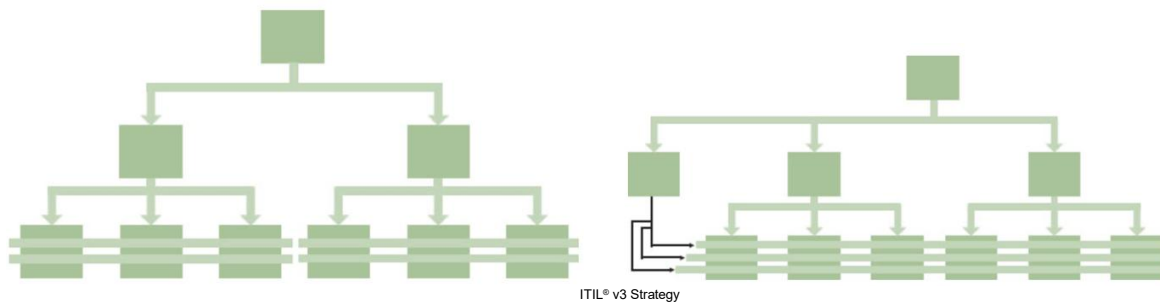
One or more of the assets, capabilities, competencies, components, or resources for those functions may be externally supplied or external functions contracted.

We will focus on the first three models in this discussion and leave you to consider the other three as options for or subsets & variations of the first three for IT.

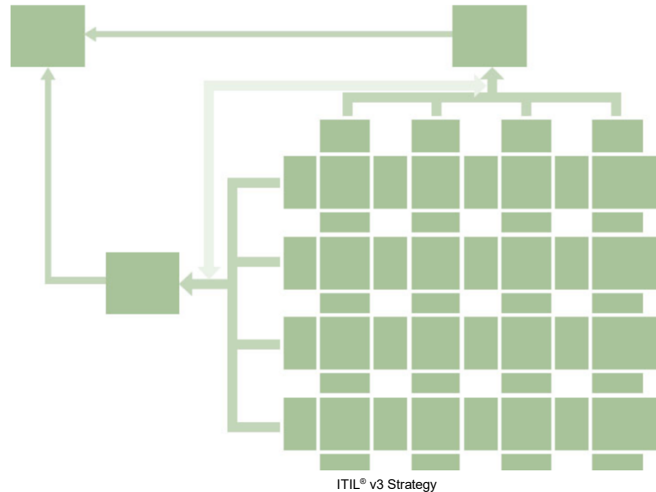
- A. Hierarchal IT – Often three or more vertical levels of management that mirrors the business hierarchy; typically, with strategic [executive], tactical [middle management], and operational [front-line management] levels.



- B. Functional IT – A model in response to wherever the business highly depends on IT, where parts of or all the IT capabilities or functions may be separate from, shared with, or melded into one, a group of, or all biz units working in coordination or delegation modes.



- C. Matrixed IT – A interwoven vertical and horizontal model with a mix of shared and/or cross-functional roles across internal and/or external IT functions, independent of organizational boundaries

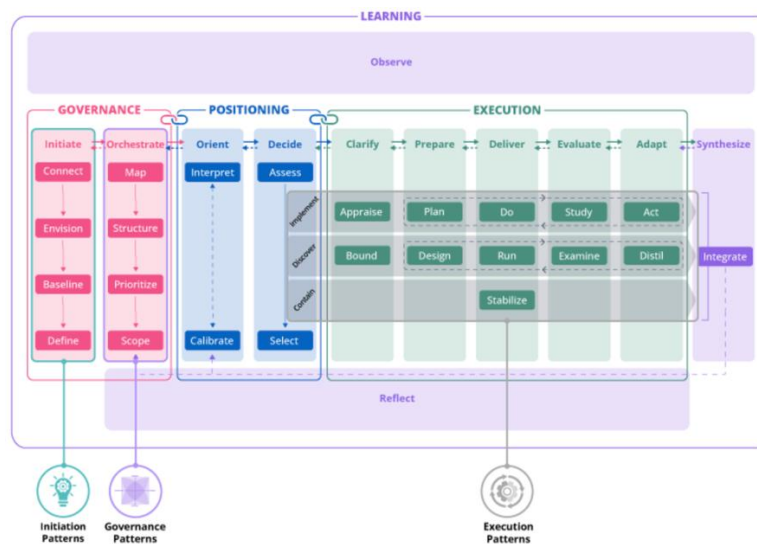


In the chapter about the *Organization and People Dimension*, in the current I_4 Practice Guides, there is some generic information about organization structures.

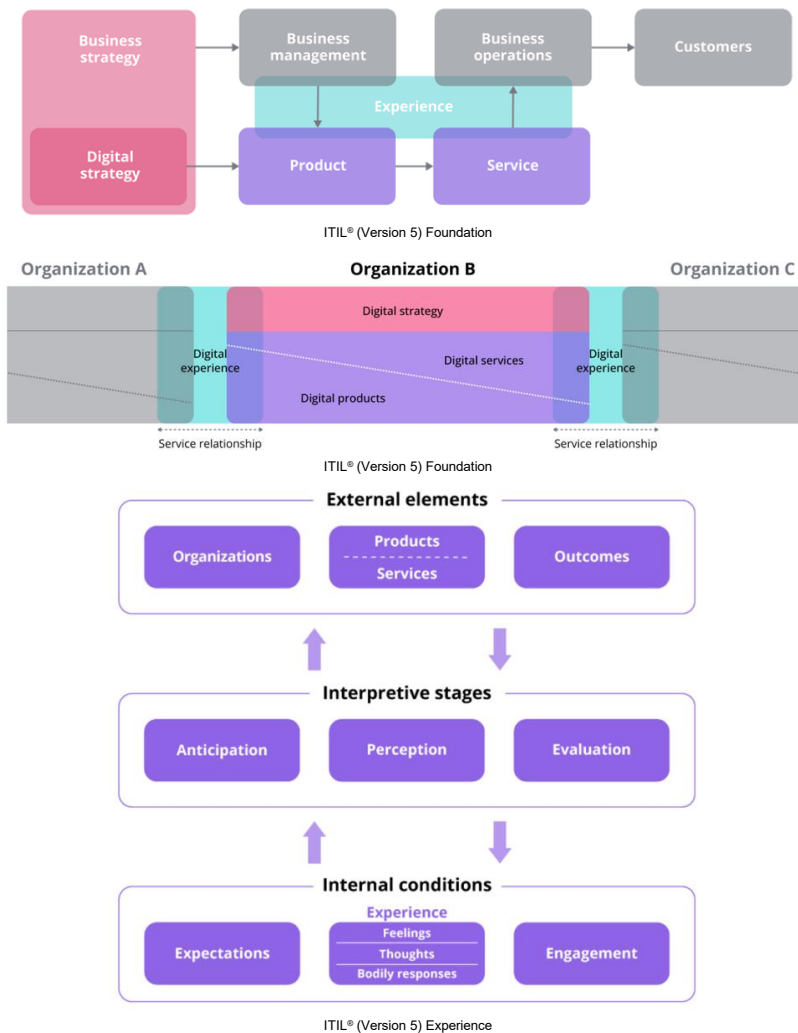
In the thirty-four I_4 Practice Guides and in I(V5)'s Product and Service textbooks is mention of organization roles and teams at various levels that manage any one or more IT value chain activities that use combinations of Practices, that altogether form value streams and IT solutions (outputs).

Owners & Managers of Programs, Projects, Products, Services, Practices, Processes, Tools, Consumer Relationships, Support, Suppliers, the Value system, Value chain, or Value streams may be at any level in the organization.

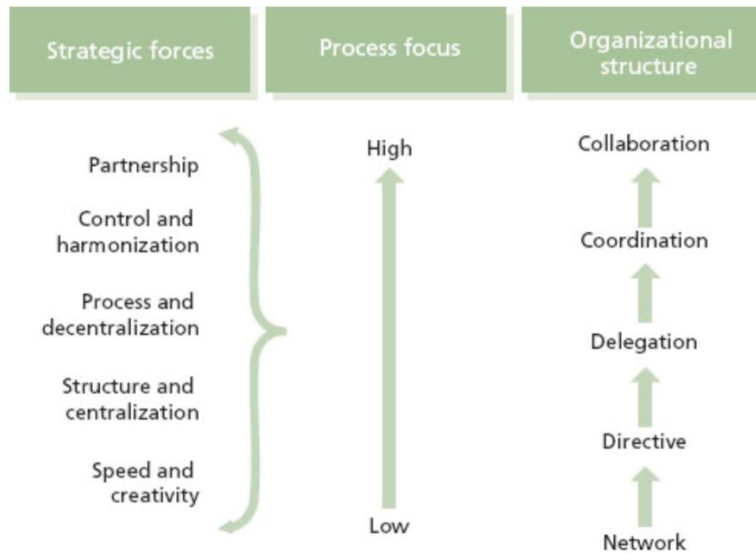
The Transformation textbook talks to roles for steps within various initiation, governance, and execution patterns using RASCI charts, with some advice on organization design.



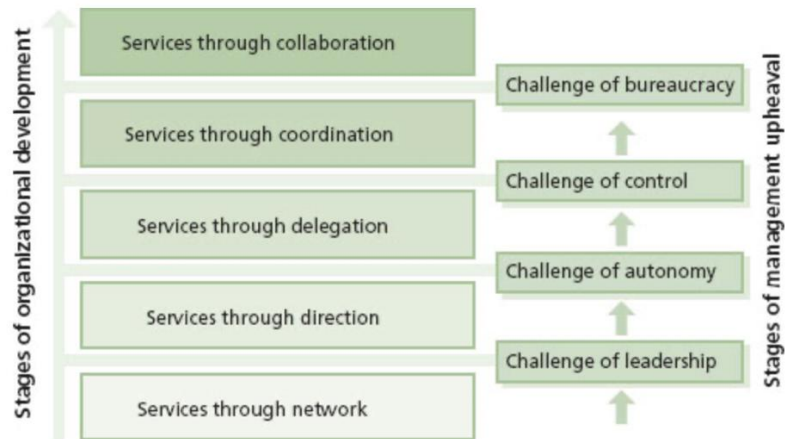
In the new Foundation and Experience textbooks we are asked to take a fresh look at the organizational framework from a relationship and Experience perspective. Examples are these three figures from those two textbooks:



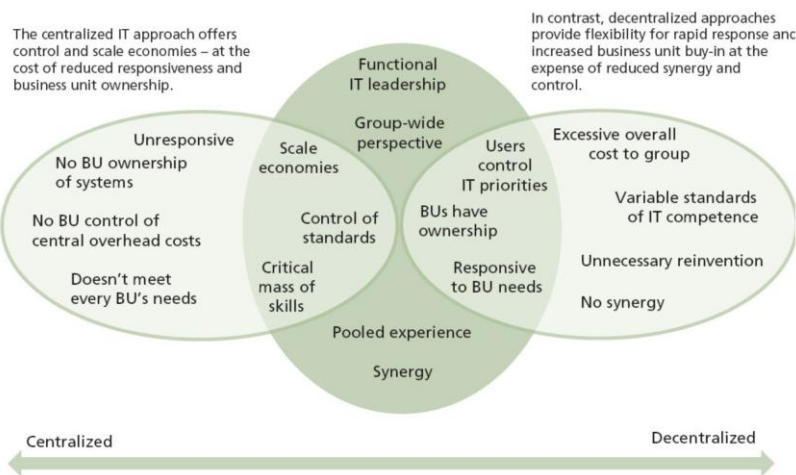
ITILv3 covered organization models in a bit more detail. Choosing a structure depended on strategy, practice/processes, centralization, and structural challenges as illustrated in the three figures below:



ITIL® v3 Strategy



ITIL® v3 Strategy

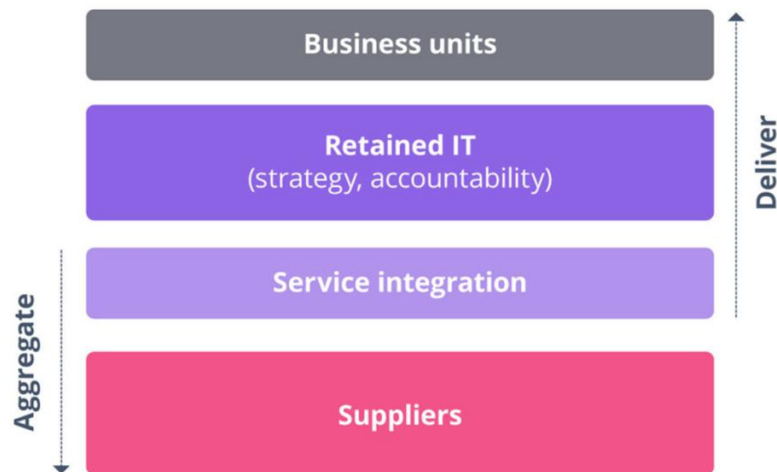


ITIL® v3 Strategy

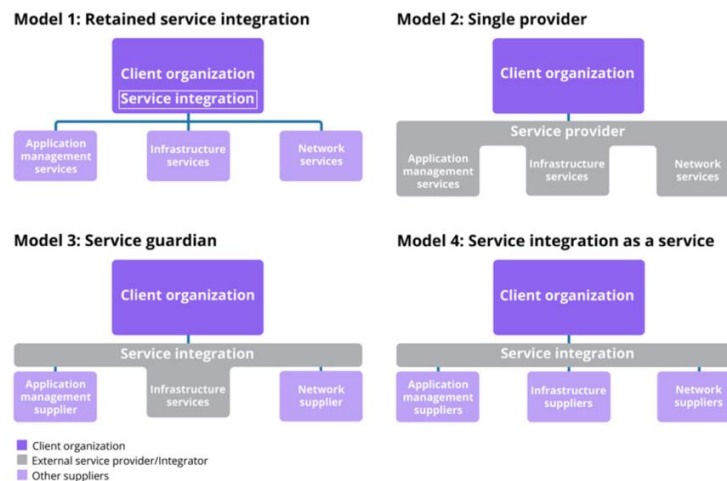
Another way in Service Strategy organization was presented is choosing from any one or combination of Type 1 {internal}, Type II {shared}, or Type III {external} models.

Both Type I and II are often needed for an internal IT organization especially for Partnerships.

Today, Type III is often represented by Managed Service Provider (MSP), Cloud providers [public, private, community, internal, external & hybrid] and Service Integration and Management (SIAM) models that includes retained and external IT functions.



ITIL®_4 Direct, Plan, and Improve



ITIL®_4 Create, Deliver, and Support

Over time, due to PESTLE factors, VUCA environments, and rapid changes in technology; internal & external business and IT org structures will need to evolve, morph, or meld to be more responsive to the business.

E.G. Manufacturing starts as the only biz unit using robotics has its own IT unit for such but simultaneously uses the shared IT services that all other biz units depend on.

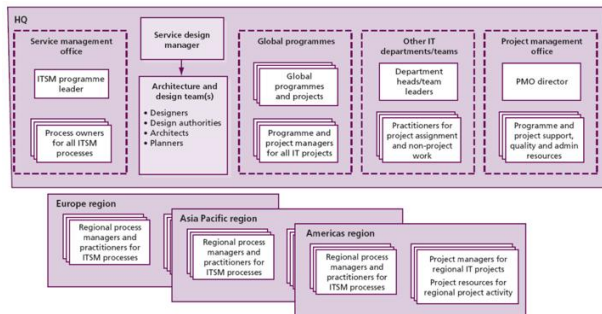
As manufacturing grows, or as additional biz units adopt non-manufacturing robotics, IT may require a more centralized or mixed internal IT org structure for that type of automation; &/or some or all parts may be outsourced.

That is one of many reasons why Organization Change Management is a critical strategic capability that every organization should have.

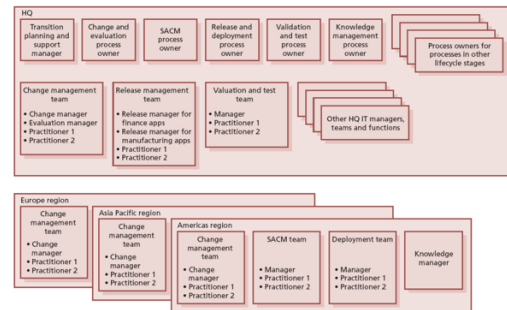
In any org structure choice, governing bodies will examine your portfolios in addition to your strategies and policies.

All organization and function designs need to consider criteria to manage the structures people in them, as well its products, services, suppliers, and customers; such as:

CRITERIA CHECKLIST FOR ORGANIZATION AND FUNCTION DESIGNS		
#	Criterion	Common Considerations
1	Canvases	Business models based on vision, purpose, missions, and related strategies & policies
2	Centralization (or decentralization)	Based on need for autonomy, control, consistency, creativity, criticality, flexibility, spontaneity, synergy, and variability
3	Collaboration	Cross-functional cooperation, consensus, communication, conflict management, cross functional (internal &/or external), sharing, visibility
4	Collections	Application, customer, product, project, service, supplier, practices/standards and other portfolios
5	Command	Theory X, Y, or Z; servant-leader, & situational management skills and styles
6	Communication	Models, methods, mediums, media, technology, tools, & Audio/Visual
7	Community	Consideration of the livability and compatibility of the civic, public, & private societal factors where the organization's facilities, employees, consumers, & suppliers live, work, and play.
8	Competencies	Education, experience, certifications, and skill sets and mixes [T, Pi, Comb] of leadership, individual contributors, consumers, suppliers, & stakeholders
9	Competition	Based on discovery, research, markets, benchmarks, SWOT, Wardley
10	Computerization	Levels and types of automation & tools to manage data, information, knowledge, media, practices, processes, workflows, and value streams
11	Consumers	Customer, User, & Sponsor types served, shared, stakeholder (internal, external), outcomes, product & service levels/targets, value propositions, and desired relationships and experiences
12	Contractors	External partners, suppliers, 3 rd party, outsourcers, & vendors and their competencies, governance, org structures, locations, resources, automation, tools, and practices
13	Control	Required for assets, audits, governance, health, risk, safety, & security
14	Countries & Continents	PESTLE, culture, demographic, geographic, psychographic, and governance considerations; available resources and capabilities, finance, culture, language and any of the others in this list that are relevant
15	Coverage	Prime time, after hours, seasons, patterns of biz activities, holidays and service levels & hours for each
13	Culture(s)	Guiding Principles, Psychographics, Norms, Values, faith and holidays of the Community, Countries, Continents, Stakeholders, Consumers, and Suppliers
17	Current, target, and future market spaces	Strategies, tactics, objectives, & outcomes. Business, relationship, and stakeholder analyses. Proposals, perspective, position, plans, and patterns
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ITIL® v3 Design



ITIL® v3 Transition

TO THE QUESTION ABOUT WHICH OF THE CLASSIC THREE TYPES OF ORG MODELS TO CHOOSE

If you adopt a collection of best practices and standards for the business and IT, then a matrix structure may be the best way to organize.

A matrix model inherently has some elements of hierarchical and functional models, and supports collaborative, self-managed, and cross-functional teams where they are needed inside the matrix.

Direction of IT may come from an IT Steering Committee &/or Councils that could consist of one or more business managers, IT Business Relationship Managers, the COO, plus the direct reports to the CTO &/or CIO who also serve as co-chair(s), including a representative from the Service Management Office (SMO).

An SMO may be one person - a certified ITIL Master - in a small organization or for a larger org, a team of two or more ITIL certified persons e.g. a group consisting of a Practice Manager, Managing Professional, and Strategic Leader with one ITIL Master as the leader or working as a self-managed team.



ITIL® Official Qualification Scheme (Version 5.0)

The work of the SMO may include:

- be part of a center of excellence team, total quality, or corporate improvement initiative
- manage cross-functionally continual improvement of IT
- manage cross-functionally value system maturity, Practice capability, and the quality of value chain activities and value streams

- Participate in Portfolio reviews regarding IT
- Participate in governance reviews regarding IT
- Perform self-assessments of value system, value chain, value streams, practices and standards
- Perform training on best practices, standards, value system, value chain, and value streams
- Monitor and report cross-functionally on IT related CSFs, KPIs, Metrics, and Practice Success factors
- Help prepare for audits

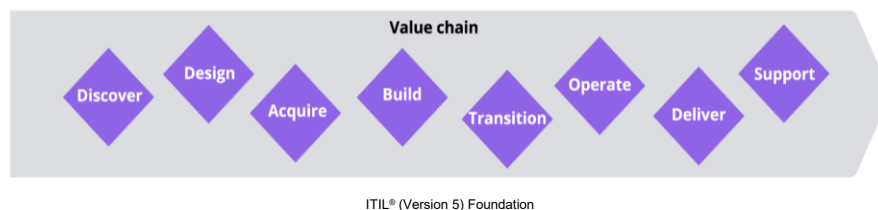
A matrixed (SMO) function formed in the fashion of a Program/Project Management Office (PPMO) or another for monitoring Governance is desirable.

NOTES ABOUT OPERATION AND CONTINUAL IMPROVEMENT ORGANIZATION STRUCTURES

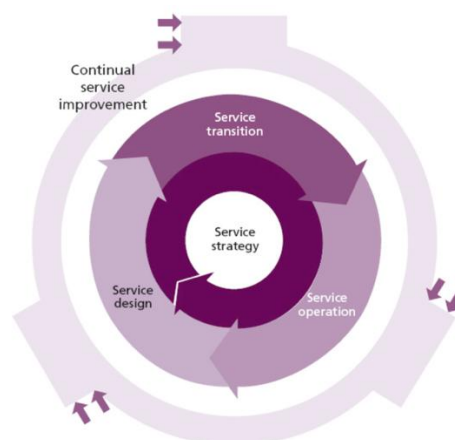
The major difference between I_4 and I(V5) is a shift from the I_4's Service Value Chain combined nine activities, to I(V5)'s ITIL Value Chain (IVC) with eight activities.

That in turn places a much-needed focus on Practices and Value Streams. Please read the I(V5) Foundation, Service, and Product textbooks for more detailed explanations of the IVC activities and their enabling and supporting practices.

Also, when designing org structures, functions or groups of them, remember to reflect on the table of org design criteria in this blog.

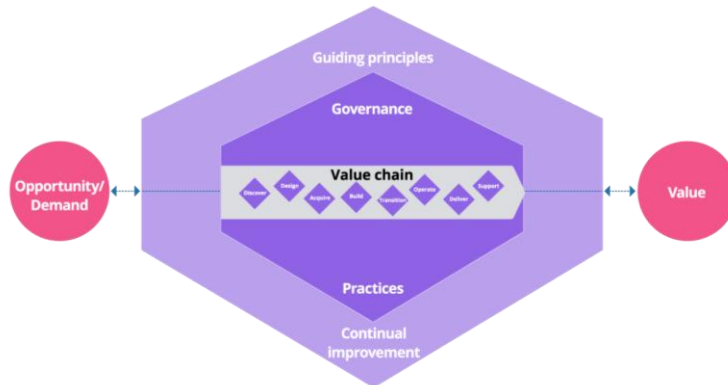


Note that three of the five stages of the Iv3 Service Lifecycle shown below - Design, Transition, & Operation - are three of the eight activities in the IVC.



Strategy, Operation, and Continual Improvement are handled differently in I_4 and I(V5), by using the activities of the value chains within them.

In V), Strategy triggers the Discover activity of the IVC, and Continual Improvement remains one of the five components of the Value System, that encompasses all components of the IVS, as well, is still a Practice that every IVC activity uses.

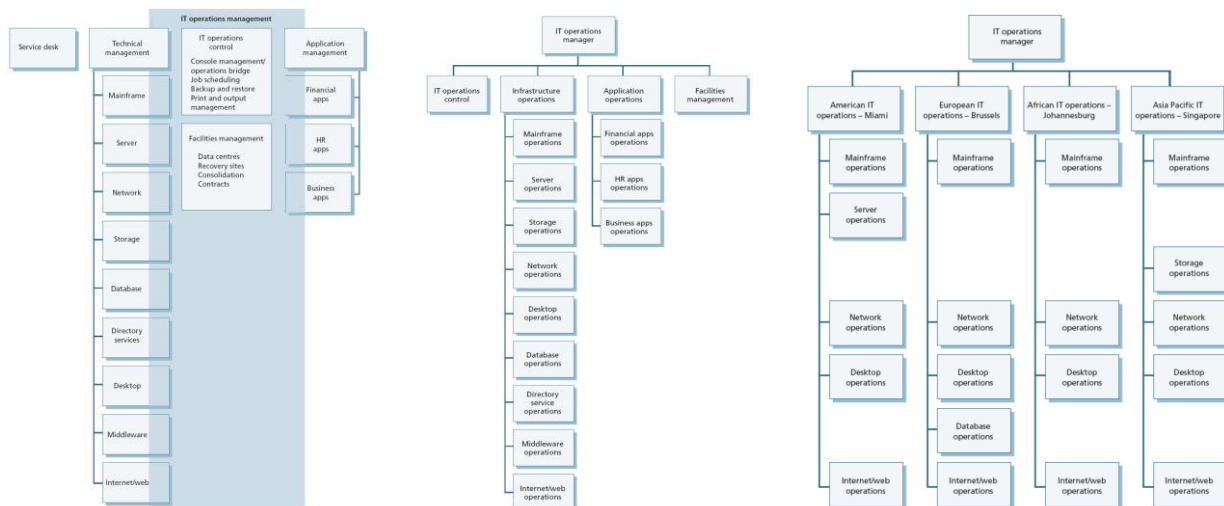


ITIL® (Version 5) Foundation

Organizationally, ITIL's guidance is to make Continual Improvement part of the organization's culture.

Therefore, Continual Improvement may be represented as a standalone corporate function, a function matrixed across the organization functions, or embedded in a corporate center of excellence, total quality, governance, a standard, or LEAN/Six Sigma team or function; with perhaps the responsibility for IT's improvements assigned to the SMO.

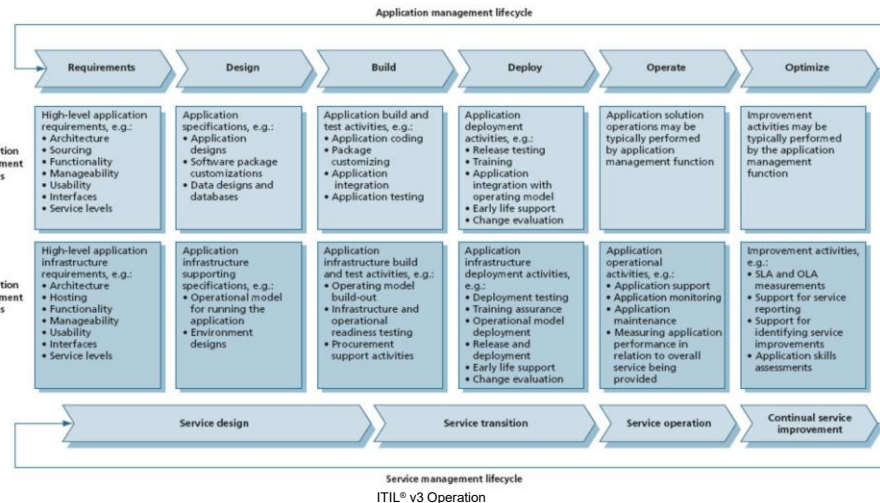
In Iv3's Operation stage, examples of Operation organization design are shown in the three sample figures below, which you may have or wish to emulate in your organization.



ITIL® v3 Operation

In I(V5), Applications Management functions and practices, especially for digital products and services, may support all the activities of the IVC in a variety of ways.

In Iv3, this figure presented an approach that you may find helpful to think about how you would design your org structure around Agile, SAE, DevOps and ITIL(V5)'s IVC:



Iv3's depiction of Operation Control and IT Facilities management functions and Practices, in various ways may support I(V5)'s eight IVC activities (i.e. modeling & prototyping in Design, testing in Build), with most of the effort in support the Operate, Deliver, and Support activities of the IVC.

The Operate activity includes managing all internal infrastructure, operating systems, definitive applications, tools, specialized IT equipment, and interfaces to externally provided resources; all required to provision all IT Products and Services inside IT centric and business facilities dependent on IT.

Facilities management includes IT owned or leased controlled areas where the above IT components reside; as well if required, in concert with 'corporate' facilities managing computer dependent physical environments and computerized environmental control equipment such as:

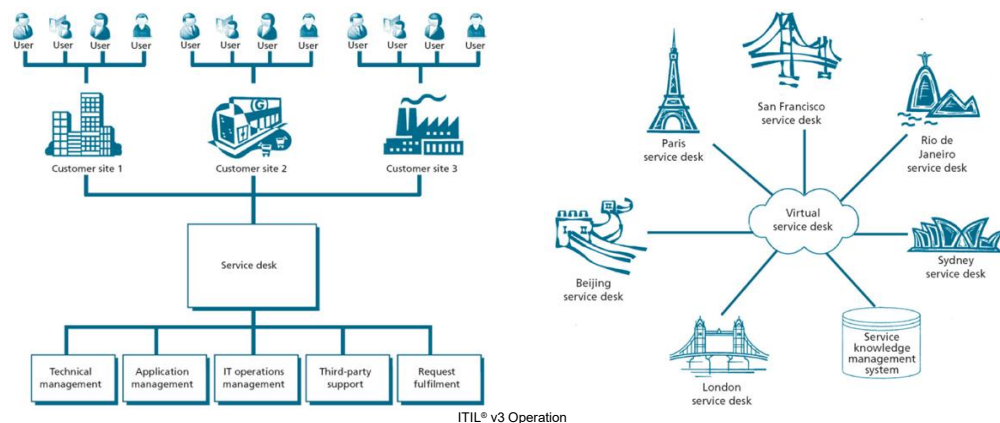
- computer rooms
- copy/fax/printer/scan rooms
- clouds (private, public, & hybrid)
- continuity spaces & storage
- clean rooms
- IT in closets or room credenzas
- data centers,
- desks or podiums
- labs & test rooms
- biz or IT manufacturing plant
- Telecommunication & telephony spaces
- property controls, parking & garages
- network ops control, & IT ops control
- recording and production studios
- IT storage
- security & safety automation
- training, meeting, auditorium, conference, theater rooms
- exercise, break, & cafeteria spaces
- staging & test areas
- IT and biz storage & warehouses
- Entry, reception & security spaces
- Utility & fire control spaces
- Building Maintenance
- Medical spaces

The outputs of the IVC Operate activity enables the IVC Deliver and Support activities.

The Service Desk Practice provides the methods and tools for all user interactions across all eight activities of the IVC for all functions, or teams. The Service Desk function also uses those methods, to interface with users during the Deliver and Support activities of the IVC.

Service desk organization structures may be local (at same location as users), centralized (serving multiple locations served from one IT or user location), distributed (at multiple separate locations but networked), virtual (remotely located apart from any IT or user location) or a hybrid of those; within the SPOC philosophy. Any one or more of those SD org models may be outsourced on-shore, near-shore, or offshore.

Here are two illustrative archetype examples from ye olde Iv3:



In addition to the org design considerations in the prior table, the IVC Operate, Deliver, and Support activities may need to consider these factors for design of the IT org, Service Desk, and facility:

- ◆ Locations for Levels of internal support
- ◆ On premise space for external support
- ◆ On premise space for interim or peak periods of support

THE IT ORGANIZATION REPORTING INTO FINANCE

This approach for IT reporting has been common especially in startup or small orgs, but over time or in a larger organization IT may be seen an operations cost center, in turn, the place to first cut costs for the biz.

Instead, orgs have shifted IT the CIO from reporting to the CFO to report to the CIO to signal the strategic importance to the organization. That is what Howard Schultz, in “Onward” says he did in his days as CEO at Starbucks.

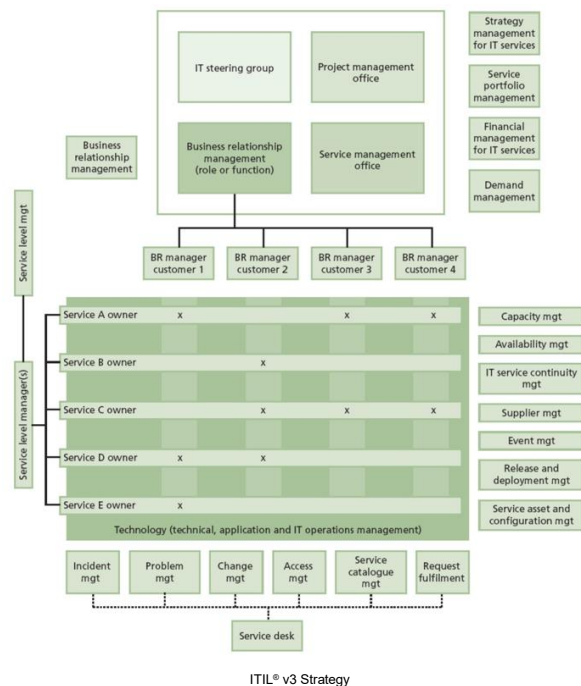
Often, much larger organizations add a CTO focused on strategy and future technology reporting to the CEO, with a CIO more focused on current technology, products, and services with an improvement and operations focus, reporting to the CTO or to a COO.

BACK TO THE FUTURE

When it comes to ITIL's Organization & People Dimension, organization structure is one of the many elements in that space.

As it is with all best practices, there is no prescriptive way to organize for one or even for like organizations. Each organization and functions need to consider their unique characteristics, to choose their desired org structure that will transform over time because of changing and evolving internal and external factors.

ITIL's 'versions' includes organizational guidance, but going back to the future of Iv3, may help you imagine what possibilities are available today and will guide you thru to tomorrow.



Just as strategy is not static or steady state, choosing and managing a business and its IT organization structure to achieve the corporate vision, purpose, mission, strategy, tactics, and objectives is an iterative activity that needs to consider many criterions.

Therefore, the business leaders in collaboration with IT Management need to:

1. Review the list of criteria your organization should consider to best manage IT that best aligns with the business and improves co-creation of value
2. Then decide which IT organization structure - Hierarchal, Functional, Matrix, or Other - will best meet those criteria for the season you are in now and where you wish to be in the future
3. Decide if you need to establish a matrixed service management office for improved alignment to and integration with the business
4. Decide to whom should the ITSM/DPSM organization and the SMO report to
5. Strategically decide which Supplier model best fits 1 thru 4
6. Look forward to management of next generation, leading edge, and future technologies such as Artificial Intelligence (AI), that will present IT organizational structure challenges.

Hope that this presentation about organization structures for IT was informative, will trigger your imagination, and will help you advise or make organization structure decisions for IT that includes the management of functions, teams, infrastructure, best practices, standards, products, services, delivery, and support experiences.



Another type of structure built for purpose
Heydar Aliyev Cultural Center, Baku, Azerbaijan
Architect Zaha Hadid, Picture by [jjubar/Flickr](#)