

The iPhone effect: consumer pressure transforming IT governance

Research by IESE's Robert W. Gregory and Evgeny Kaganer shows how widespread technology adoption is opening up – and revolutionizing – corporate IT governance, particularly when the pressure comes from consumers.



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The revolution really started in 2007, with the arrival of the iPhone. Soon after, employees began challenging corporate policies that limited official business to secure, but functionally limited, BlackBerrys.

As BlackBerrys fell out of favor, new smartphones loaded with email and productivity apps

popped up at work. In response to employees' new tech habits, some companies tried to force-fit or bypass old processes. But this generally strained the traditional IT function, creating misalignments and organizational problems.

To better understand what happened next to governance, IESE's Robert Wayne Gregory, [Evgeny Káganer](#) and co-authors Ola Henfridsson and Thierry Jean Ruch studied an international bank facing stringent industry requirements at the same time digital technologies were transforming its market. The authors' research paints a clearer picture of governance changes, shaped by common 21st-century pressures.

Here's what they found: the bank's preliminary measures, such as its 2010 BYOD (bring-your-own-device) policy, strained its functional IT governance but didn't radically transform it. Finally, it was external customers' evolving needs that provided a tipping point a few years later.

To better provide the personalized, flexible technological solutions that bank consumers came to demand, the bank moved from a functional to a platform-based IT governance.

That meant opening up its digital offerings to non-IT staff and allowing for more versatility in collaborations, including with outside fintechs. The new governance structure was more agile and also helped create a more attractive work environment. Managers can learn from this positive example.

After years of stability, rapid-fire change

In the case study, the transformation that occurred over just five years is particularly notable given that the bank's IT function was established back in the 1970s. For decades, it was one of the many large enterprises that had access to the market's most advanced technology and shared it with customers and workers in structured, limited ways. This top-down approach focused on the bank's security needs, relying on specialized IT professionals and formal organizing structures.

But the top-down approach didn't allow for the versatility consumers — and employees — came to demand in the 21st century. How to adapt? Initially, managers tried two main strategies: force-fitting and bypassing functional IT governance.

- **Force-fitting** meant applying functional IT rules onto workers' new behaviors. For example, employees were allowed to access corporate email and other systems from their own personal devices (BYOD) — but the IT group imposed security

restrictions and conditions. Some workers felt this policy was simply an attempt to cut corporate costs and did not give them the flexibility they needed.

- **Bypassing** IT governance meant, in practice, that senior managers allowed certain units to work directly with customers and technology partners, to rapidly respond to consumers' IT needs. The IT department was left out. However, this only affected a small percentage of workers.

Eventually, greater change was needed at the organizational level. That pressure came when bank customers' IT demands created real anxiety within the enterprise.

Opening up IT governance

The bank began to reassess its core assumptions about IT governance. With the democratization of IT, managers needed more agility to deploy solutions that engaged customers.

This led to a new approach: platform-based governance. Now, workers could immediately access a catalog of IT services and help customize the solutions their customers needed. Platform-based governance emphasized flexible and timely combinations of digital technologies (and not just bank-owned technologies), applied to all employees (not just IT staff). To accomplish this, the bank shifted to cloud computing and provided workers with access to digital services through an easy-to-use self-service platform.

The bank's story shows how senior managers are keeping up with the democratization of IT. In this case, after more than three decades working with functional IT governance, a new open approach made the company more attractive to workers and customers alike.

Methodology, very briefly

The authors analyzed IT consumerization and IT governance at a large international bank, covering the years 2008-2017. This case study was chosen because of banking industry's stringent IT governance requirements and the rapid technology-driven changes in its market. The authors conducted in-depth interviews with key actors in the bank, and looked at the evolution of policies through the lens of relevant theory.

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