



Make **Excellence** . . .
. . . a **Habit**.

7 Habits of IT Excellence

- ◆ **Build** Trust
- ◆ **Create** a Proactive Culture
- ◆ **Understand** the Company's Business
- ◆ **Align** with the Company's Goals and Objectives
- ◆ **Lead** People – Manage Things
- ◆ **Adapt** to Change
- ◆ **Embrace** a Passion for Learning & Improvement

Much has been written, but much less resolved, about this perennial Top 10 IT issue reported by Gartner, Meta, Forrester, CSC, CIO Magazine, academia and others. By the way, IT business alignment (ITBA) is not just an IT issue, it is a business issue. To have a high performance company, alignment is needed across all organizations in a business. Every business wants to be successful as defined internally, and by its competitors, owners, customers, and the market. High performing companies can trace their success to being (1) very effective, and (2) adequately efficient - "doing the right things - right". And that takes alignment. The tighter the alignment between organizations in a company, their execution is more effective, and higher their results. While the importance of alignment is undeniable, adequate attainment is still elusive for some.

So why does this issue still linger and still a Top 10 CIO issue? Five reasons:

1. ITBA has not been realized because of low-trust levels between business organizations and IT leaders.
2. ITBA has not been well defined in many organizations, therefore, expectations are not set correctly and results are difficult to measure.
3. ITBA is a dynamic, *people* process that must resolve conflicts and adapt to priority changes. Often the processes have not been developed to resolve these issues in a consistent and repeatable manner.
4. Many times the company's business units and departments are not well aligned, so ITBA is difficult or impossible. Rather ITBA relies on the "squeaky wheel concept" and/or politics.
5. While ITBA is a perennial top five CIO issue, according to a 2006 Accenture survey of CEO's, ITBA was not a top ten issue for CEOs. So is IT's effort in this area the real issue?

We will explore ITBA in two parts:

Part I: What is IT business alignment, what it is not?

Part II: How can organizations establish IT business alignment.

Part I – What is IT Business Alignment, What It is NOT

We start the 'Search for the Holy Grail' – ITBA with other organizations.

One of the historical, critical issues in improving or achieving ITBA within a business is the lack of a specific, measurable, achievable, and realistic definition. In general the definition of alignment has been ignored, vague, too general and/or contradictory. For example:

- Luftman et al in *"Transforming the Enterprise: The alignment of business and information technology strategies," IBM Systems Journal* vol.32, nr.1, 1993, define alignment as: **"... extent which IS strategy supports, and is supported by, the business strategy"**.
- Reich and Benbasat in *"Factors that influence the social dimension of alignment between business and information technology objectives"*, Working Paper, 1998 defines it as **"... degree that IT's mission, objectives and plans support and are supported by the business's mission, objectives and plans"**.
- Henderson and Thomas in *"Aligning Business and Information Technology Domains: Strategic Planning in Hospitals," Hospital and Health Services Administration* vol.37, nr.1, 1992, says **"... alignment is more than linking IT and business strategy (...) fitting technology, structures, processes, and skills to match this integration is also critical for success"**.
- Smaczny in *"Is an Alignment between Business and IT the Appropriate Paradigm to Manage IT in Today's Organization?"*, Management Decision, 39 (10), 2001, says **"... IT alignment is more like fusion... IT strategy and business strategy are intertwined and should be developed at the same time..."**

These definitions are lacking and primarily address the "what components need alignment" of a good definition. They are very general in nature, difficult to measure and in some cases contradict each other. None take into account how dynamic **"changes" and "priorities"** in strategy, objectives or plans can be. Nor do they address **"conflicts" and "competition"** in *and* between people, objectives, plans and priorities. And finally they do not address finite, limited IT and business resources.

IT business alignment is NOT:

- a real two-way street. Of course IT requires support from and collaboration with other business units, departments, etc, but IT will **primarily** align with the business's mission, strategies, plans, etc., not vice versa. This applies to all business units and departments.
- the "fitting" of technology, structures, processes, etc. This refers to *how* IT delivers its solutions and services - how it executes. IT can be poorly aligned to other organizations and have excellent delivery of its projects and services - "do the wrong things – right". And, of course, the opposite is true.
- ever perfect because of the business's need to react and change to industry, market and competitive issues. Nor is it perfect because of limited IT and business resources. ITBA happens in *degrees* rather than being a state of alignment or not.

So what is ITBA? Let's start by looking at the definition of "align":

align (ə līn')

transitive verb

1. to bring into a straight line; adjust by line
2. to bring parts or components into proper coordination
3. to bring into agreement, close cooperation, etc.

The first concept evident is *components* covered by most definitions. Alignment between components, however, is not the most important concept. Three key concepts are evident in this definition – *agreement, cooperation, and coordination*. These are things that people do. It is imperative that business and IT executives and leaders own ITBA.

Let's summarize. A good definition needs:

1. to be specific, measurable, achievable, and realistic
2. to answer "what" components are aligned
3. to answer "who" must reach and own an alignment
4. to recognize the agreement is based on current priorities, strategy, tactics and plans that can change
5. to recognize limitations in resources
6. not to include IT execution criteria

With these in mind the definition could be:

IT business alignment (ī t - biz' nəs - ə līn' ment)

nouns

1. the cooperation and coordination between executives/leaders in business units, departments, etc, and executives/leaders in *IT Solutions Development organizations* to periodically determine/resolve business priorities and reach **agreements** as to which *mix of projects* to undertake that best supports business strategies/model, tactics and annual plans/objectives for a defined IT budget and resource level.
2. the cooperation and coordination between executives/leaders in business units, departments, etc, and executives/leaders in *IT Services Delivery organizations* to periodically determine/resolve business priorities and reach **agreements** as to the appropriate *service levels* to provide that best supports business strategies/model, tactics and annual plans/objectives for a defined IT budget and resource level.

How does these definitions compare to our key concepts?

1. to be specific, measurable, achievable, and realistic – *meets all*
2. to answer "what" components are aligned – *strategies/model, tactics and annual plans/objectives*
3. to answer "who" must reach an alignment agreement – *business and IT executives and leaders*
4. to recognize the agreement is based on current priorities that can change – *periodically (determined by each company)*
5. to recognize limitations in resources – *defined IT budget and resources*
6. not to include IT execution criteria – *meets*

Now that we have a workable definition, in Part II we will discuss how to enable, organize and develop a consistent, repeatable process to achieve IT business alignment.

Part II – How Can Organizations Establish IT Business Alignment?

We continue ITBA - 'Search for the Holy Grail' – IT business alignment with other organizations.

So are you a CIO with poor ITBA or just needs improvement? Based on experience leading these efforts in four different organizations and learning from some "hard knocks", here are seven action areas for CIOs that want to create or improve ITBA:

1) Evaluate Drivers and Barriers for All Areas that Need ITBA (Difficulty – moderate)

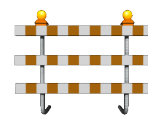
Before getting started with 'how to', understand certain conditions exist inside organizations that are *drivers* or *barriers* for ITBA. Think of drivers as conditions that make it easier, but not impossible if absent, for ITBA. Barriers are conditions that may prevent ITBA or make it more difficult. These evaluations will be helpful in determining a strategy for success in Step 3. The most important are:

Drivers



- Business executives and leaders understand and support IT
- IT executives and leaders understand the business – strategy/model, processes, etc.
- ITBA a priority for business executives and IT executives
- IT executives participate in developing business strategy, model, goals, etc
- Individual business and IT MBO incentives support ITBA
- IT demonstrates leadership depth and breadth
- IT has a track record of delivering on commitments
- Active process to measure ITBA

Barriers



- Business units and departments are not well aligned
- Business and IT executives and leaders do not trust each other
- Business and/or IT culture and decision making highly political
- IT organization relegated to a 'vendor' instead of a business partner
- Lack of consistent and repeatable project portfolio management process
- Lack of consistent and repeatable project governance process
- Lack of consistent and repeatable service level agreement process
- Poor or no definition of ITBA

It is imperative for IT executives and leaders to understand which drivers and barriers exist. Periodically, evaluate drivers and barriers for each business unit, department, etc. that needs a high degree of ITBA. Take actions to create and continuously improve drivers. For barriers, take actions to eliminate or continuously mitigate.

2) Establish ITBA and Sell to All Stakeholders (Difficulty - moderate to difficult)

- a) *Make ITBA a CIO priority or it won't be a priority at all.* To permanently establish ITBA, it *cannot* be accomplished from the 'bottom – up' in an IT organization because of the perceived risk, difficulty and commitment level in other organizations. IT organizations tend to be risk adverse and maybe

rightfully so. But avoiding ITBA can be costly. All valuable changes need a champion and the CIO has to champion ITBA.

- b) *Get 'buy in' from the business stakeholders.* As champion of this effort, CIOs must 'sell' the change to the CEO, line of business heads and peer executives. Once these stakeholders are bought in, use the stakeholders to help sell ITBA to their organizations.
- c) *Get 'buy in' from within IT.* CIOs should task their brightest individuals and teams in solutions development and service delivery with implementing ITBA. This forms a two prong attack in establishing ITBA.

3) Determine a Strategy for Success (Difficulty – moderate)

- a) *Pick a 'land and expand' strategy.* In this strategy, the plan is to minimize risk early in implementing ITBA by going after the 'low hanging fruit' first and then addressing the more difficult areas. This strategy builds momentum and credibility by getting some early wins, although the early benefits may be more modest.
- b) *Pick a 'storm the beaches' strategy.* This strategy is more aggressive and, therefore, has more risk. But it also shows that the CIO is very serious about ITBA, and the benefits achieved in the first year are more robust than the previous strategy. Experience proves this strategy successful because it helps break down any barriers in changing old habits very early.
- c) *Be careful picking a combination of a. and b. strategies.* This strategy would send a possibly unrecoverable mixed signal to all stakeholders.

4) Establish Competency (Difficulty – moderate)

- a) *Create new or enhanced project portfolio management, project governance, and service level agreement processes that are consistent and repeatable.* As described above, this new direction impacts the processes in the software development and infrastructure/operations organizations. Incorporate these new processes with the methodology you follow – Capability Maturity Model (CMM), Information Technology Infrastructure Library (ITIL), Microsoft Operations Framework (MOF), etc.
- b) *Get or enhance a toolbox.* Along with these new/enhanced processes, the team will need some tools, other than Word, Access and Excel, to assist them in ITBA efforts. Experience indicates tools that are integrated will reduce the ITBA efforts versus 'best of breed' approach.
- c) *Train, train, and train some more.* CIOs will find most business and IT leaders, and others involved in ITBA do not have sufficient experience or training in the new processes or tools. Provide beginner, intermediate and advanced training in both.

5) Incent Your Team (Difficulty - moderate to difficult)

- a) *Put ITBA in the Performance Evaluation Process.* As noted in the definition of ITBA, this effort is people intensive supported by processes and tools. Especially in performance and feedback process for IT leaders involved in ITBA, the success, or lack thereof, should be part of at least their annual evaluation.

- b) *Provide monetary MBO incentives.* Establishing a high degree of ITBA can be difficult, but success provides value for the business and credibility for IT. Although these benefits motivate most CIOs, the benefits may not be sufficient motivation for everyone. To insure success, CIOs should work with peers in Human Resources to develop some meaningful, monetary incentives for the people and teams directly involved in this effort's success. The business and other stakeholders should support the incentives. Once a CIO has properly sold the benefits of ITBA, nothing short of total success will be acceptable.
- c) *Provide recognition and career incentives.* Along with the monetary incentives, CIOs and teams can develop additional recognition and/or career incentives for the people directly involved in the change. When significant milestones or savings have been achieved, recognize the efforts of people and teams in a company or IT all hands meeting. Make it a BIG deal. Peers in Human Resources can also craft possible career incentives including new career paths and positions, training, and certifications.

6) Measure, Report and Celebrate Value of Successes (Difficulty – minimal to moderate)

- a) *Set goals and define measurements of success in Business Terms.* Listen, this step may be the most important step after selling ITBA and selecting a strategy. CIOs must set specific, measurable, achievable, realistic, and timely goals (SMART), and must know when they have success and/or significant progress. The goals and measurements must be in business terms - not IT speak.
- b) *Collect and report measurements at least quarterly.* CIOs should not make the mistake of going nuts in collecting data and reporting on these goals so that it creates an administrative nightmare. Depending on which strategy was deployed, reporting quarterly on the Land and Expand strategy may be sufficient as opposed to monthly for Storm the Beaches. Pick the time frame that works for IT and the business, yet keeps momentum for ITBA.
- c) *Communicate in Business Terms the successes and value achieved.* CIOs seeing success in this effort tend to communicate and promote, then communicate and promote again, the progress and successes in ITBA. Strategically pick the time, place, and media used for communication so it reaches the largest and most influential audiences. Recognize the people that contributed to the successes in a public forum, business, IT, or both. 'You cannot over communicate'.

7) Be Prepared to Remove Any Political Issues (Difficulty – minimal to moderate)

CIOs must resolve political issues within the IT organization and within the business. Regardless how well a CIO has sold ITBA or how well the value and successes are communicated, a 'doubting Thomas' or two may exist that try to stonewall or totally derail the effort. CIOs can remove these barriers by cultivating allies and supporters to counter any 'doubting Thomas', as well as resolving any other political issues. Successful CIOs do not let these issues smolder and get out of hand! They address and/or remove the issues sooner, not later.

Summary

Much has been written, but much less resolved, about this perennial top five IT issue reported by Gartner, Meta, Forrester, CSC, CIO Magazine, academia and others. By the way, IT business alignment (ITBA) is not just an IT issue, it is a business issue. Alignment is needed across all organizations in a business. Every business wants to be successful as defined internally, and by its competitors, the market, its owners and its customers. Highly successful companies can trace their success to being - first, very effective, and second, adequately efficient - "*doing the right things - right*". The better the alignment between organizations, the more *effective their execution*, and *successful their results*. While the importance of alignment is undeniable, adequate attainment has been elusive. Following the seven steps outlined above will improve a CIO's success and credibility.

After three decades of experience with 'Big 8' consulting firms and CIO of Fortune 500 and high growth, mid-cap companies, Ross excels at delivering outstanding information technology (IT) value to the Business while building *excellence* in IT organizations - running all aspects of IT like a business. He has industry expertise in several areas including oil and gas, high-tech, telecommunications, consumer products, logistics and airlines. Besides for leading all