IT-Business Strategic Alignment Maturity

Global Institute for IT Management

DED&M 2013

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2/12/13
- Economy
- Interdependent World
- Sourcing Models (+ aging workforce, Millennials)
- Natural Disasters
- Politics
- New Markets
- Terrorism/War(s)

- Big Data/BI
- Mobile, Social NW
- Consumerization, BYOD, Apps
- Cloud/Virtualization

THE PERFECT STORM
6 IT HEADLINES

1. Focus on Swiftly Reducing Business Expenses & Revenue Generating Applications

2. Budgets, Hiring, & Salaries More Cautious; Uncertainty vs Less Certain

3. Domestic Hiring & Outsourcing Declining Offshore Hiring & Outsourcing on the Rise

4. Increased Attention to IT Infrastructure Spending

5. Growing Cloud & Consumerization of IT

6. IT Business Alignment Fundamental
IT-Business Strategic Alignment Maturity
What is strategic alignment?
Why is it taking so long to address?
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WHY DISCUSS IT-BUSINESS ALIGNMENT?

1. Consider their organizations are not misaligned
2. Too often considered just IT aligned with the business
3. Semantics: alignment vs fused, linked, integrated, fit, harmony, converged, matched, melded, interwoven…
4. In search of mythical silver bullet
5. Focusing on infrastructure/architecture
6. How do you know if your alignment is “appropriate”?
7. Can we move from a descriptive vehicle to a prescriptive vehicle?
Climbing the Strategic Alignment Pyramid

Level 1: Initial Process
Level 2: Committed Process
Level 3: Established Process
Level 4: Improved Process
Level 5: Optimized Process

Alignment Gap

Business Strategy

IT Strategy
**IT BUSINESS ALIGNMENT MATURITY CRITERIA**

**COMMUNICATIONS**
- Understanding of Business by IT
- Understanding of IT by Business
- Inter/Intraorganizational Learning/Education
- Protocol Rigidity
- Knowledge Sharing
- Liaison(s) effectiveness

**COMPETENCY/VALUE MEASUREMENTS**
- IT Metrics
- Business Metrics
- Balanced Metrics
- Service Level Agreements
- Benchmarking
- Formal Assessments/Reviews
- Continuous Improvement

**GOVERNANCE**
- Business Strategic Planning
- IT Strategic Planning
- Organization Structure
- Budgetary Control
- IT Investment Management
- Steering Committee(s)
- Prioritization Process

**PARTNERSHIP**
- Business Perception of IT Value
- Role of IT in Strategic Business Planning
- Shared Goals, Risk, Rewards/Penalties
- IT Program Management
- Relationship/Trust Style
- Business Sponsor/Champion

**SCOPE & ARCHITECTURE**
- Traditional, Enabler/Driver, External
- Standards Articulation
- Architectural Integration:
  - Functional Organization
  - Enterprise
  - Inter enterprise
- Architectural Transparency, Agility, Flexibility
- Manage Emerging Tech.

**SKILLS**
- Innovation, Entrepreneurship
- Cultural Locus of Power
- Management Style
- Change Readiness
- Career crossover; training/education
- Social, Political, Trusting Interpersonal Environment
- Hiring and retaining
Strategic Alignment Maturity Summary

Level 1: Initial/Ad-Hoc process
- **COMMUNICATIONS**: Business/IT lack understanding
- **COMPETENCY/VALUE**: Some technical measurements
- **GOVERNANCE**: No formal process, cost center, reactive priorities
- **PARTNERSHIP**: IT a cost of doing business
- **SCOPE & ARCHITECTURE**: Traditional (e.g., acctng, email)
- **SKILLS**: IT takes risk, little reward; Technical training

Level 2: Committed process
- **COMMUNICATIONS**: Limited business/IT understanding
- **COMPETENCY/VALUE**: Functional cost efficiency
- **GOVERNANCE**: Tactical at Functional level, occasional responsive
- **PARTNERSHIP**: IT emerging as an asset; Process enabler
- **SCOPE & ARCHITECTURE**: Transaction (e.g., ESS, DSS)
- **SKILLS**: Differs across functional organizations

Level 3: Established focused process
- **COMMUNICATIONS**: Good understanding; Emerging relaxed
- **COMPETENCY/VALUE**: Some cost effectiveness; Dashboard established
- **GOVERNANCE**: Relevant process across the organization
- **PARTNERSHIP**: IT seen as an asset; Process driver; Conflict seen as creative
- **SCOPE & ARCHITECTURE**: Integrated across the organization
- **SKILLS**: Emerging value service provider; Balanced tech & business hiring

Level 4: Improved/managed process
- **COMMUNICATIONS**: Bonding, unified
- **COMPETENCY/VALUE**: Cost effective; Some partner value; Dashboard managed
- **GOVERNANCE**: Managed across the organization
- **PARTNERSHIP**: IT enables/drives business strategy
- **SCOPE & ARCHITECTURE**: Integrated with partners
- **SKILLS**: Shared risk & rewards

Level 5: Optimized process
- **COMMUNICATIONS**: Informal, pervasive
- **COMPETENCY/VALUE**: Extended to external partners
- **GOVERNANCE**: Integrated across the org & partners
- **PARTNERSHIP**: IT-business co-adaptive/improvisational
- **SCOPE & ARCHITECTURE**: Evolve with partners
- **SKILLS**: Education/careers/rewards across the organization

Global Institute for IT Management
CUSTOMER-PROVIDER ALIGNMENT MATURITY CRITERIA

Value Measurements
- Customer & Provider Metrics (tech. & bus.) for services
- SLA & Management Process
- Benchmarks
- Formal Assessments & Improvement Reviews

Governance
- Use of Joint Strategic, Tactical & Operational Committees
- Formal/Informal Mechanisms
- Prioritization Process
- Resource Allocation Process
- Statutory & Regulatory Requirements

Partnership
- Role of Provider in Customer Strategy & Planning
- Shared Goals, Risks, Rewards/Penalties
- Mutual Trust
- Formal & Informal Agreements
- Joint Sponsor & Champions

Communications
- Customer Understanding of Provider
- Provider Understanding of Customer
- Organizational Learning & Knowledge Sharing
- Customer-Provider Liaison

Human Resources & Skills
- Technical & Business Skills of Customer & Provider
- Cultural Match
- Change Readiness
- Cross Training/Education
- Hiring/Retaining; Skills Management & Portfolio

Scope & Architecture
- Architectural Agility, Transparency, Flexibility
- Standards Adherence
- Impact of Provider Services on Customer & its Partners
IT IS NOT JUST THE LEVEL OF MATURITY

- Where is the organization strong/weak?
- Where is there disagreement?
- What are the implications?
- What can be done to improve the maturity level (prescriptive)?
- It opens the door to discuss alignment
Industry Classification

Global 1,000 Companies  N= 379

Agriculture: 7
Chemical: 10
Education: 9
Financial: 98
Government: 12
HealthCare: 12
Hotel/Entertainment: 6
Insurance: 30
Manufacturing: 58
Oil/Gas/Mining: 12
Pharmaceutical: 16
Retail/House: 7
Service: 8
Telecommunication: 13
Transportation/Public: 5
Utility: 5
SAM Participants Profile

- CIO’s: 1,391
- CTO’s: 127
- IT Execs: 1,627
- CEO’s: 88
- CFO’s: 54
- VP’s/COO: 105
- Bus. Unit Execs: 1,087

Total: N=2,971
SAM Geographic Participation

Total Number Of Companies = 378

North America 49% (184)
Latin America 11% (42)
Europe 19% (70)
Asia 19% (73)
Africa/Middle East 2% (9)
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<th>Averages</th>
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<td>2. Protocol Rigidity</td>
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<td>3. Prioritization Process</td>
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<td>4. Business Sponsor/Champion</td>
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**Overall Alignment Average Score: 3.09**
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Alignment Average Score: 2.80
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<td>2.5</td>
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<td>2.64</td>
</tr>
</tbody>
</table>

**Overall Alignment Average Score: 3.09**
The direct impact of the individual components on Company Performance is negligible.

\[ \eta^2 \]

\[ \gamma_{1,7} = 0.063 \]
\[ \gamma_{1,8} = 0.193^* \]
\[ \gamma_{1,9} = 0.417^* \]
\[ \gamma_{1,10} = 0.167^* \]

\[ \beta_{2,1} = 0.387^* \]

*p < 0.001
Cobit & Business-IT Alignment

Organization Structure

- Federated/Hybrid: 3.67
- Centralized: 2.87
- Decentralized: 2.69
- Networked: 3.60
- Matrixed: 2.98

Alignment Maturity: 3.09
CIO Reporting Structure

President, Chairman, CEO - 56%
COO - 9%
CFO - 5%
Business Unit Exec - 30%

Alignment Maturity 3.09

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