IT-Business Strategic Alignment Maturity
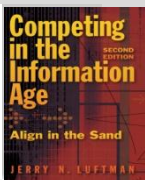
JERRY LUFTMAN Ph.D.
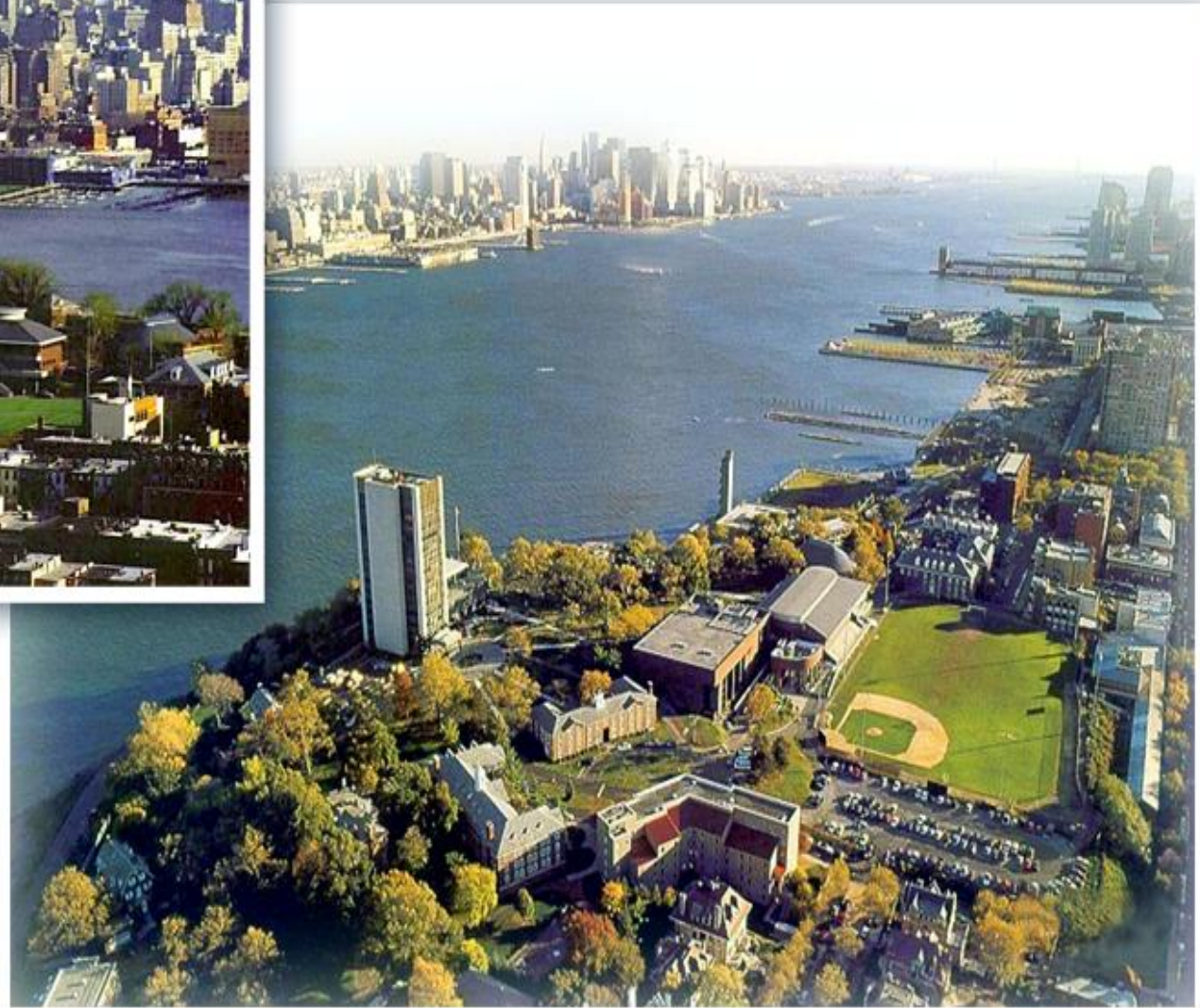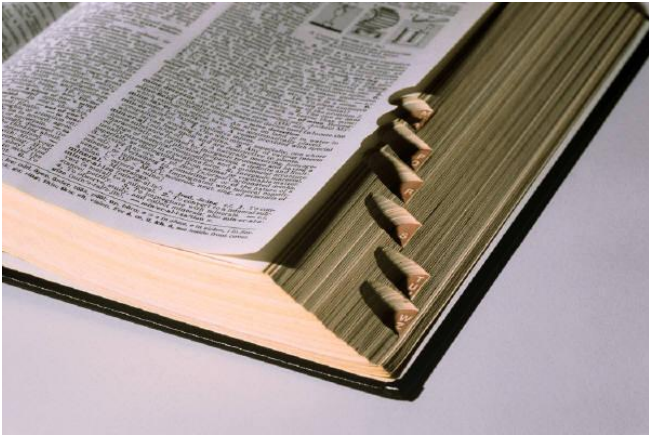
jluftman@stevens.edu

STEVENS
INSTITUTE *of* TECHNOLOGY
THE INNOVATION UNIVERSITY

1870
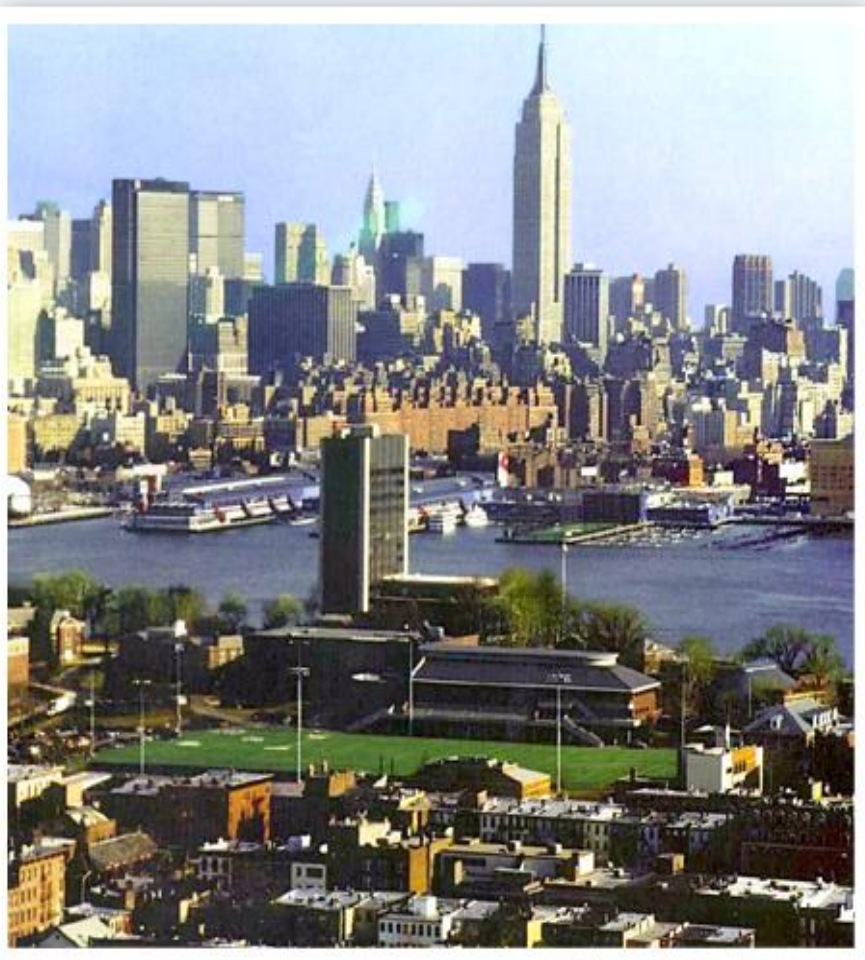
AGENDA

1. **IT Business Alignment?**

2. **Maturity Assessment**

3. **A taste of SAM Insights**

What is strategic alignment?

Top 10 2010 IT Management Concerns

1	**Business productivity and cost reduction**
2	**Business agility and speed to market**
*3	**IT and business alignment**
4	**IT reliability and efficiency**
*5	**Business Process Reengineering**
*6	**IT strategic planning**
7	**Revenue generating IT innovations**
8	**IT Cost reduction**
*9	**Security and privacy**
10	**Globalization**

* Persistent

Global 2010 IT Management Concerns

	Global	U.S.	Europe	SE Asia	Latin America
Business Productivity & Cost Reduction	1	1	1	1	1
IT and Business Alignment	**2**	**3**	**3**	**2**	**3**
Business Agility & Speed To Market	3	2	4	6	2
Business Process Mgt/Reengineering	4	5	2	3	4
IT Reliability & Efficiency	5	4	6	4	8
Revenue Generating IT Innovations	6	7	7	6	7
IT Strategic Planning	7	6	7	9	5
IT Cost Reduction	8	8	5	14	11
Project Management	9	16	18	6	6
Globalization	10	10	15	10	13

Top IT Management Concerns 1980-2010

| IT Management Concerns	2010	2009	2008	2007	2006	2005	2004	2003	1994	1990	1986	1985	1983	1980
Business productivity & cost reduction	1	1	7	4										
Business agility & speed to market	2	3	13	17	7		5	7						
IT and business alignment	3	2	1	2	1	1	1	1	9	7	5	2	7	9
IT reliability and efficiency	3	6												
Business Process Reengineering	3	4	18	15	11	5	10	10	2					
IT Strategic planning	6	7	3	8	4	4	4	2	10	3	1	1	1	1
Revenue generating IT innovations	6	8												
IT cost reduction	8	5	7	4										
Security and privacy	9	9	8	6	3	2	3	3		19	18	6	14	12
Globalization	10	15												
Change management	11	14	6	7	3	2	3	3		19	18	6	14	12
Outsourcing/vendor management	12	11												
Enterprise architecture	13	11	11	33	15	15	9	8	4	1	8			
IT human resource considerations	13	17												
Knowledge management	13	17												
Project management	13	11	10	23	5	10								
Sourcing decisions	13	17												
CIO leadership role		10	16	10										
IT organization design		15												
Societal implications of IT		20												

Why is it taking so long to address?
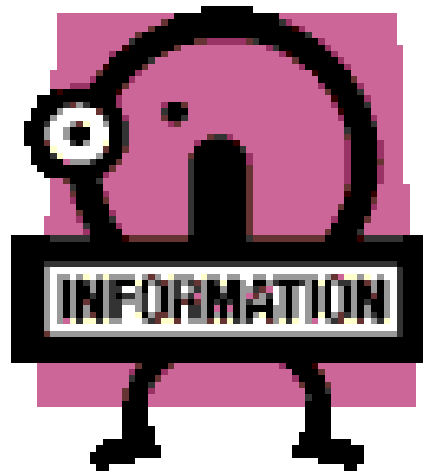
IT does not matter!!!

Nicholas Carr HBR, May, 2003
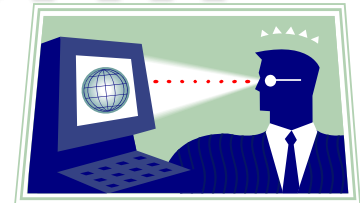
Does IT matter???
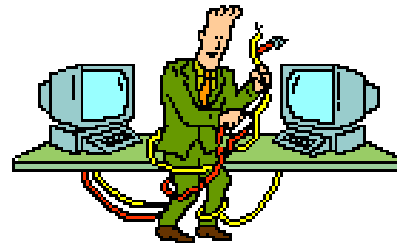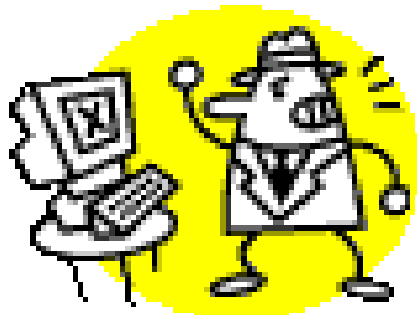
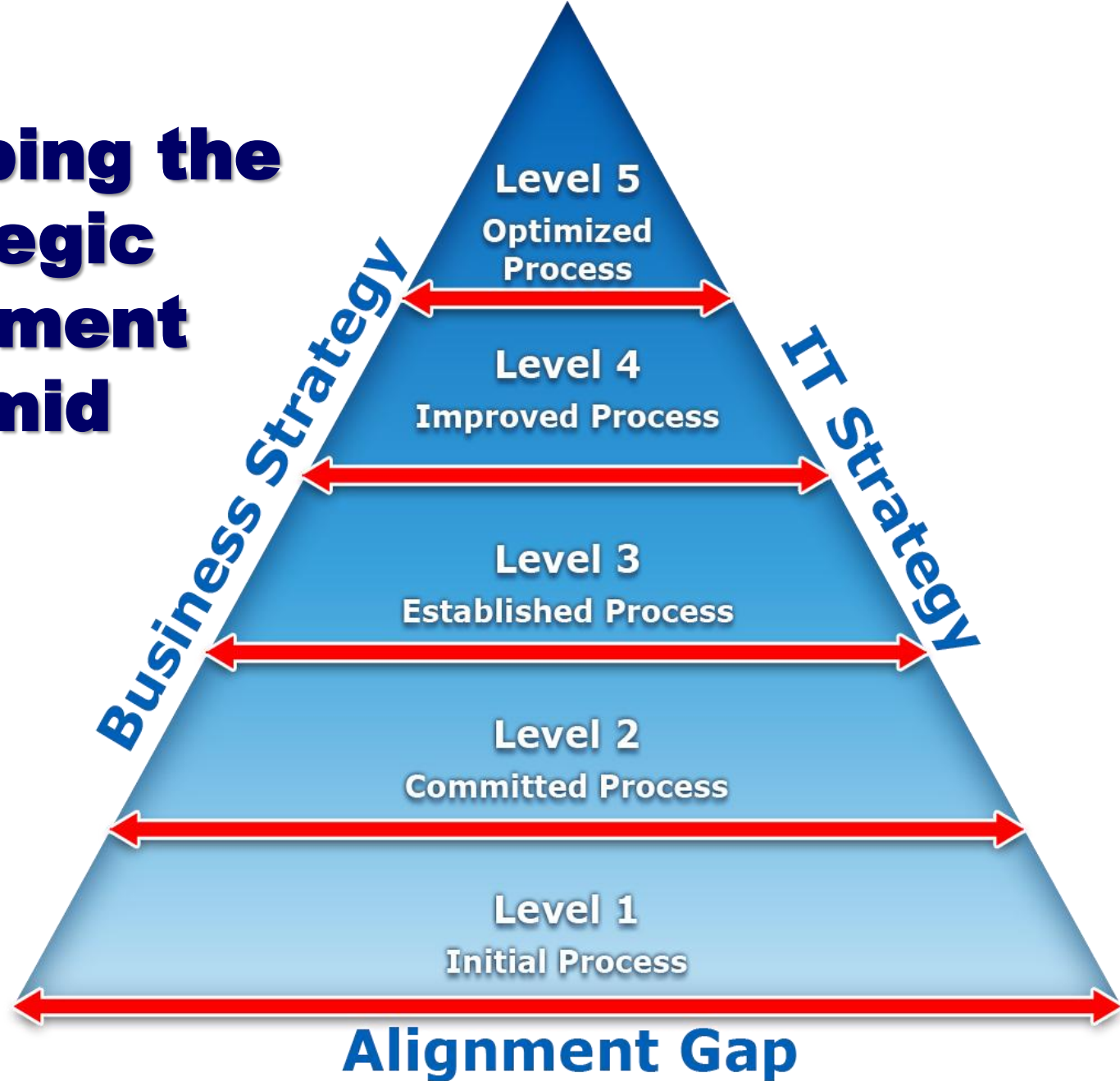# WHY DISCUSS IT-BUSINESS STILL ALIGNMENT?

1. Consider their organizations are not misaligned

2. Too often considered just IT aligned <u>with</u> 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 <u>descriptive</u> vehicle to a <u>prescriptive</u> vehicle?

HOW MATURE IS YOUR IT-BUSINESS ALIGNMENT?

Climbing the Strategic Alignment Pyramid

Business Strategy

IT Strategy

Level 5
Optimized Process

Level 4
Improved Process

Level 3
Established Process

Level 2
Committed Process

Level 1
Initial Process

Alignment Gap

STEVENS
INSTITUTE of TECHNOLOGY
THE INNOVATION UNIVERSITY

The structure of the SEI CMM

These are the KPAs associated with each level:

Continuously Improving Process

OPTIMIZING (5)
- DEFECT PREVENTION PROCESS
- TECHNOLOGY CHANGE MANAGEMENT
- PROCESS CHANGE MANAGEMENT

Predictable Process

MANAGED (4)
- QUANTITATIVE PROCESS MANAGEMENT
- SOFTWARE QUALITY MANAGEMENT

Standard, Consistent Process

DEFINED (3)
- ORGANIZATION PROCESS FOCUS
- ORGANIZATION PROCESS DEFINITION
- TRAINING PROGRAM
- INTEGRATED SOFTWARE MANAGEMENT
- SOFTWARE PRODUCT ENGINEERING
- INTERGROUP COORDINATION
- PEER REVIEWS

Disciplined Process

REPEATABLE (2)
- REQUIREMENTS MANAGEMENT
- SOFTWARE PROJECT PLANNING
- SOFTWARE PROJECT TRACKING AND OVERSIGHT
- SOFTWARE SUBCONTRACT MANAGEMENT
- SOFTWARE QUALITY ASSURANCE
- SOFTWARE CONFIGURATION MANAGEMENT

INITIAL (1)

An organization is not considered to be at a given level until it has satisfied the conditions for every **K**ey **P**rocess **A**rea through that level.

STEVENS
INSTITUTE of TECHNOLOGY
THE INNOVATION UNIVERSITY

COMMUNICATIONS

- Understanding of Business by IT
- Understanding of IT by Business
- Inter/Intra organizational 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

IT BUSINESS ALIGNMENT MATURITY CRITERIA

PARTNERSHIP

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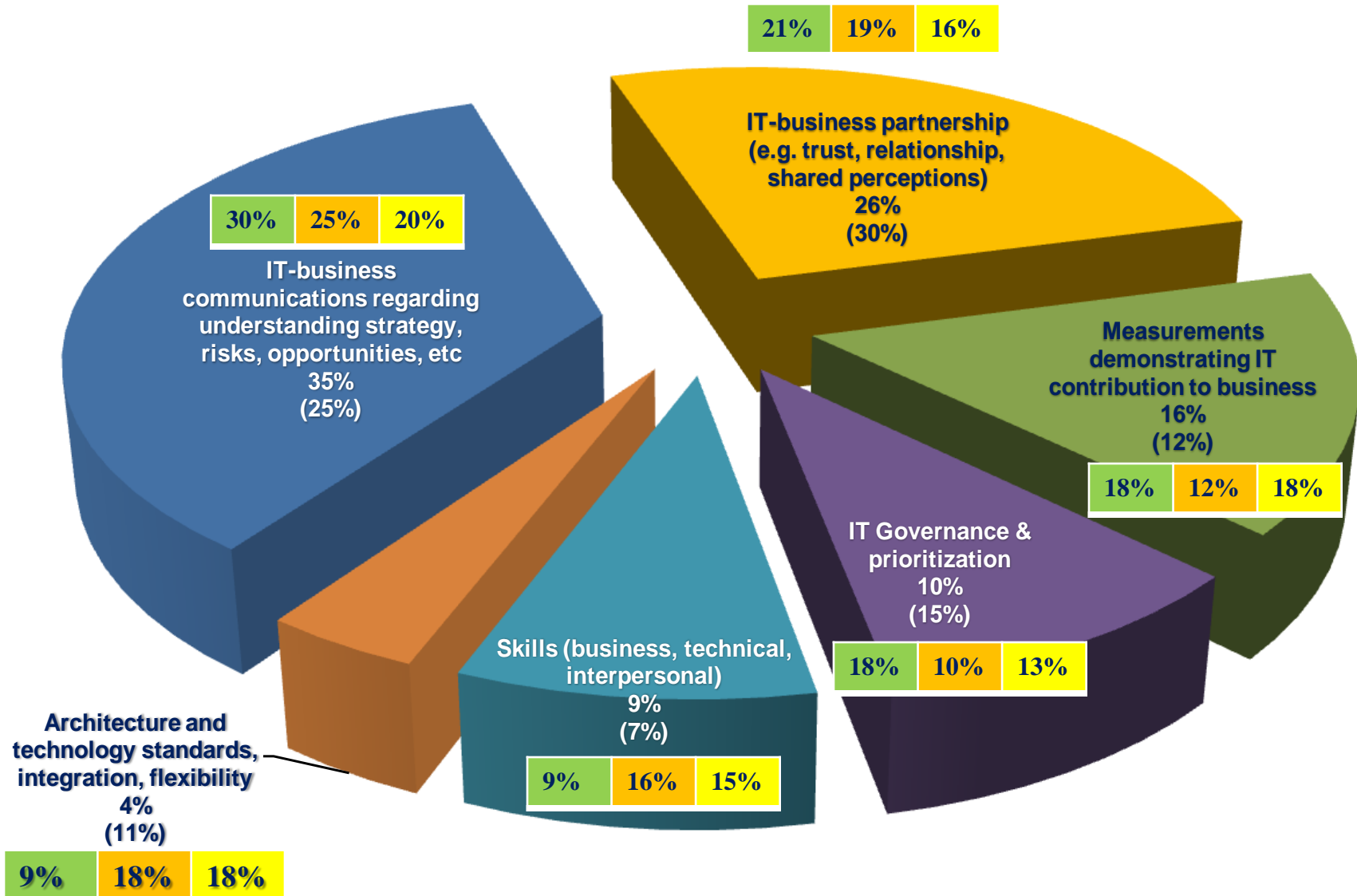- Business Sponsor/Champion

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

Priority of Time Allocated for IT Business Alignment Considerations

21% 19% 16%

IT-business partnership (e.g. trust, relationship, shared perceptions)
26%
(30%)

30% 25% 20%

IT-business communications regarding understanding strategy, risks, opportunities, etc
35%
(25%)

Measurements demonstrating IT contribution to business
16%
(12%)

18% 12% 18%

IT Governance & prioritization
10%
(15%)

18% 10% 13%

Skills (business, technical, interpersonal)
9%
(7%)

9% 16% 15%

Architecture and technology standards, integration, flexibility
4%
(11%)

9% 18% 18%

(2009)

Strategic Alignment Maturity Summary

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

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

Value Measurements
- Customer & Provider Metrics (tech. & bus.) for services
- SLA & Management Process
- Benchmarks
- Formal Assessments & Improvement Reviews
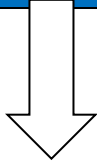
Governance
- Use of Joint Strategic, Tactical & Operational Committees
- Formal/Informal Mechanisms
- Prioritization Process
- Resource Allocation Process
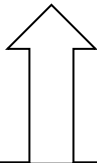- Statutory & Regulatory Requirements
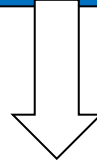
Partnership
- Role of Provider in Customer Strategy & Planning
- Shared Goals, Risks, Rewards/Penalties
- Mutual Trust
- Formal & Informal Agreements
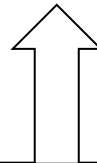- Joint Sponsor & Champions
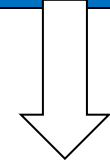
# CUSTOMER-PROVIDER ALIGNMENT MATURITY CRITERIA

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
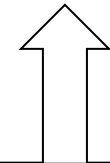
Scope & Architecture
- Architectural Agility, Transparency, Flexibility
- Standards Adherence
- Impact of Provider Services on Customer & its Partners

IT IS NOT JUST THE LEVEL OF MATURITY
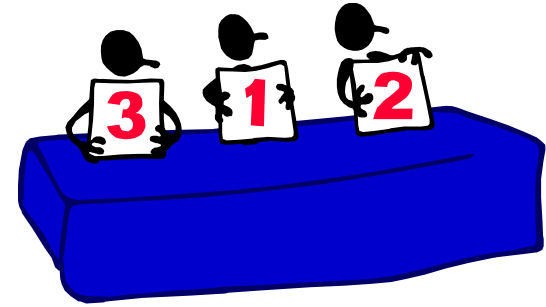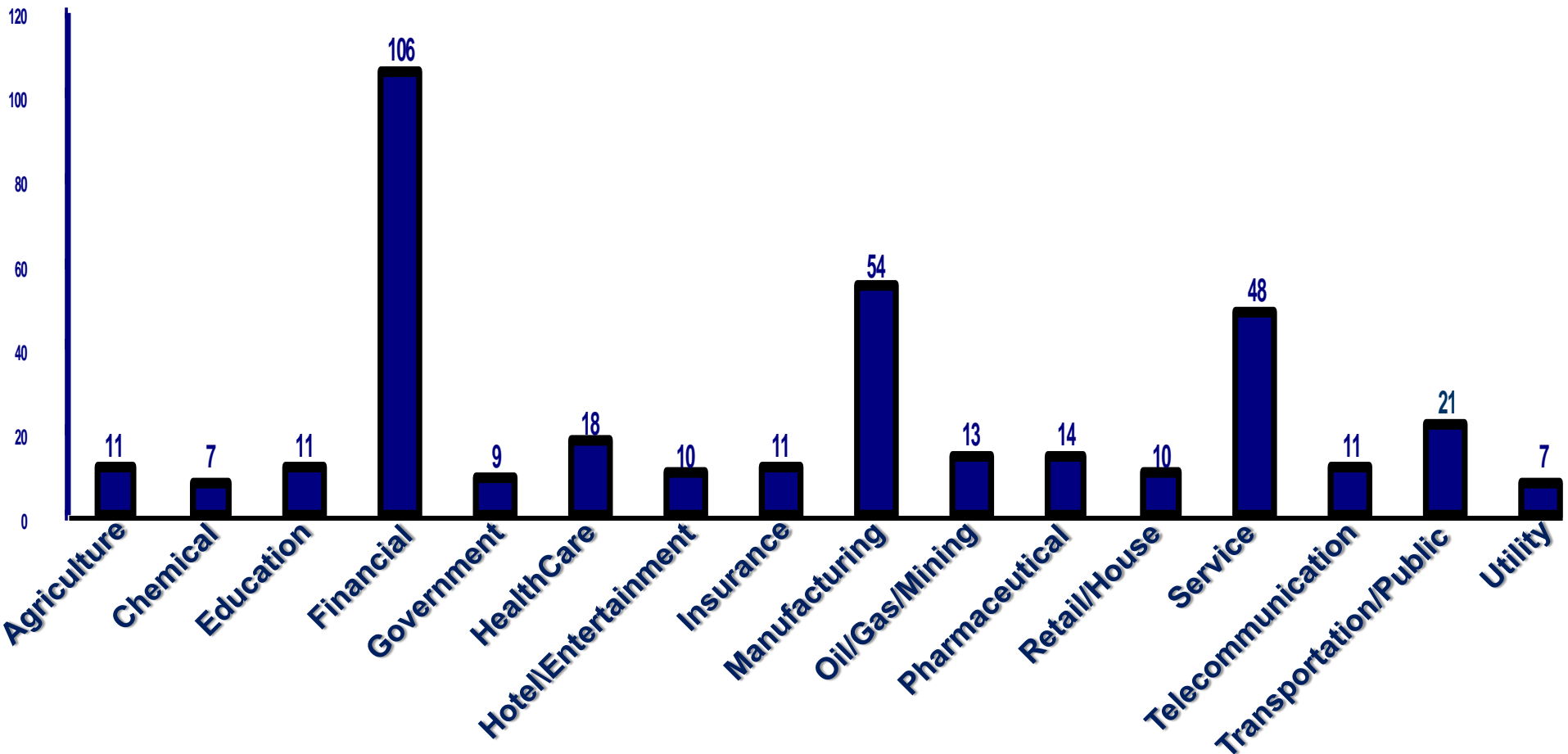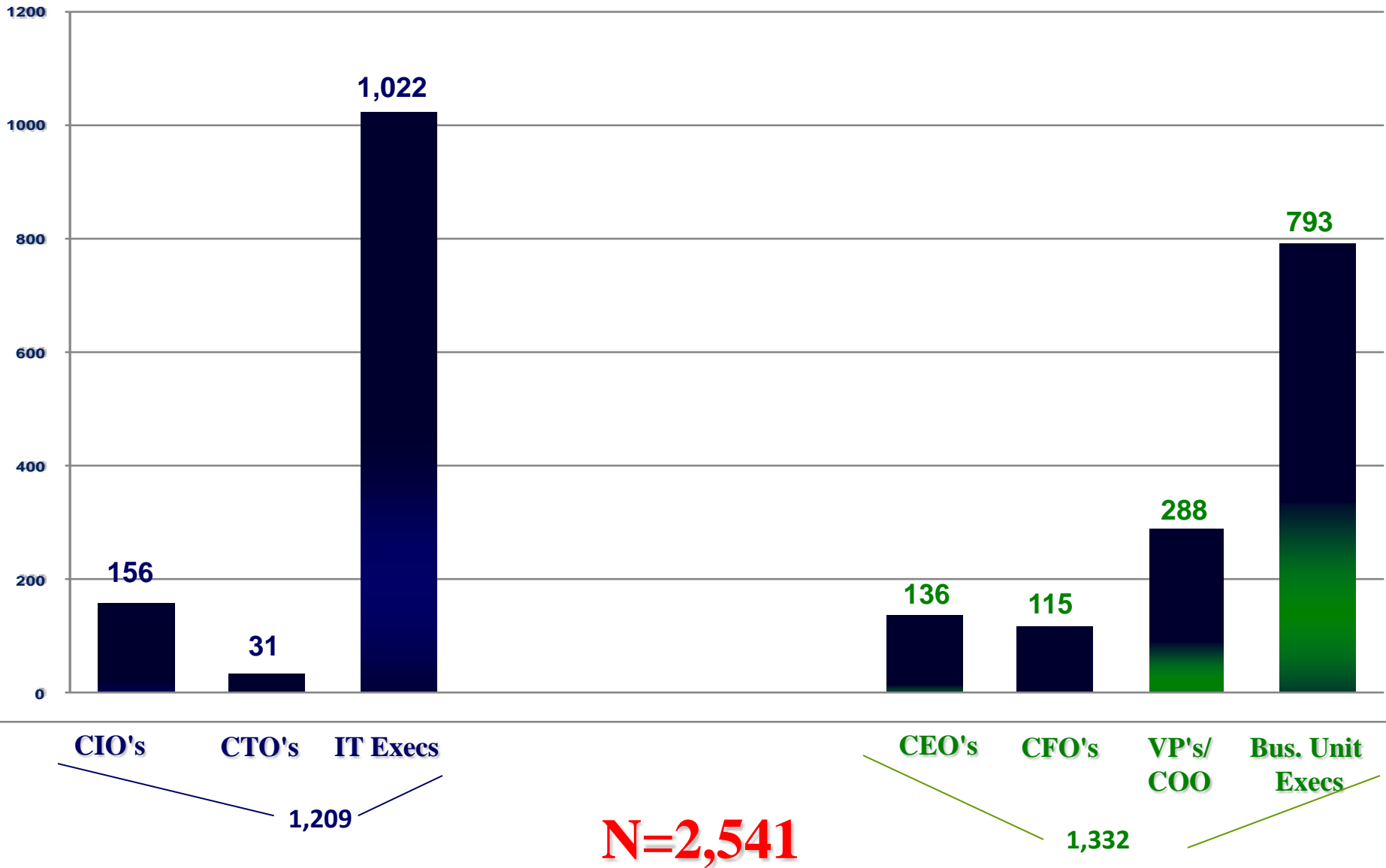
➢ **Where is the organization strong/weak?**

➢ **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= 362

Industry	Count
Agriculture	11
Chemical	7
Education	11
Financial	106
Government	9
HealthCare	18
Hotel/Entertainment	10
Insurance	11
Manufacturing	54
Oil/Gas/Mining	13
Pharmaceutical	14
Retail/House	10
Service	48
Telecommunication	11
Transportation/Public	21
Utility	7

SAM Participants Profile

Category	Value
CIO's	156
CTO's	31
IT Execs	1,022
CEO's	136
CFO's	115
VP's/COO	288
Bus. Unit Execs	793

1,209

1,332

N=2,541

SAM Geographic Participation
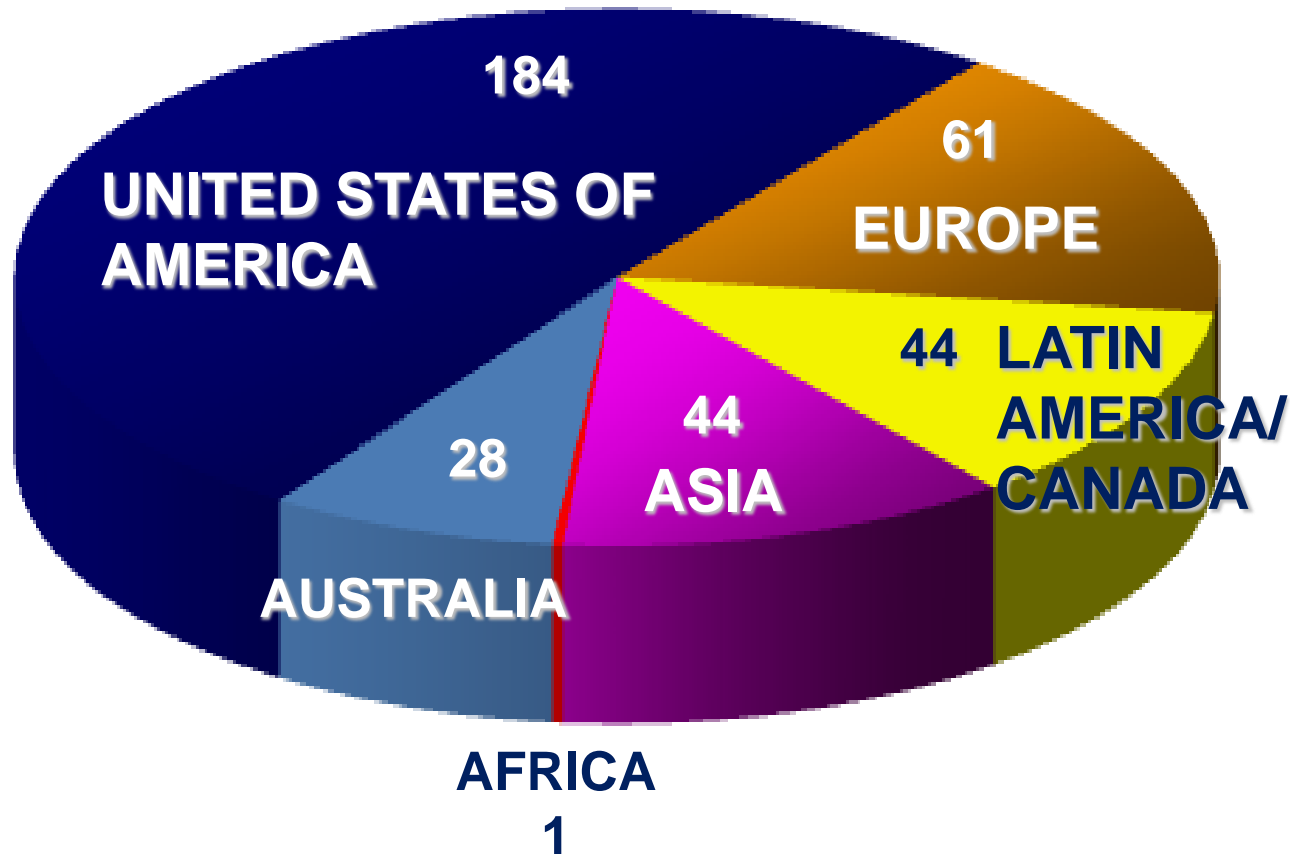
Total Number Of Companies = 362

A Taste of Insights

Overall SAM Assessment Maturity

4 Communications
Avg. Score: 3.10

5 Value Metrics
Avg. Score: 3.05

2 Governance
Avg. Score: 3.13

1 Partnership
Avg. Score: 3.18

3 Scope & Architecture
Avg. Score: 3.12

6 Skills
Avg. Score: 2.96
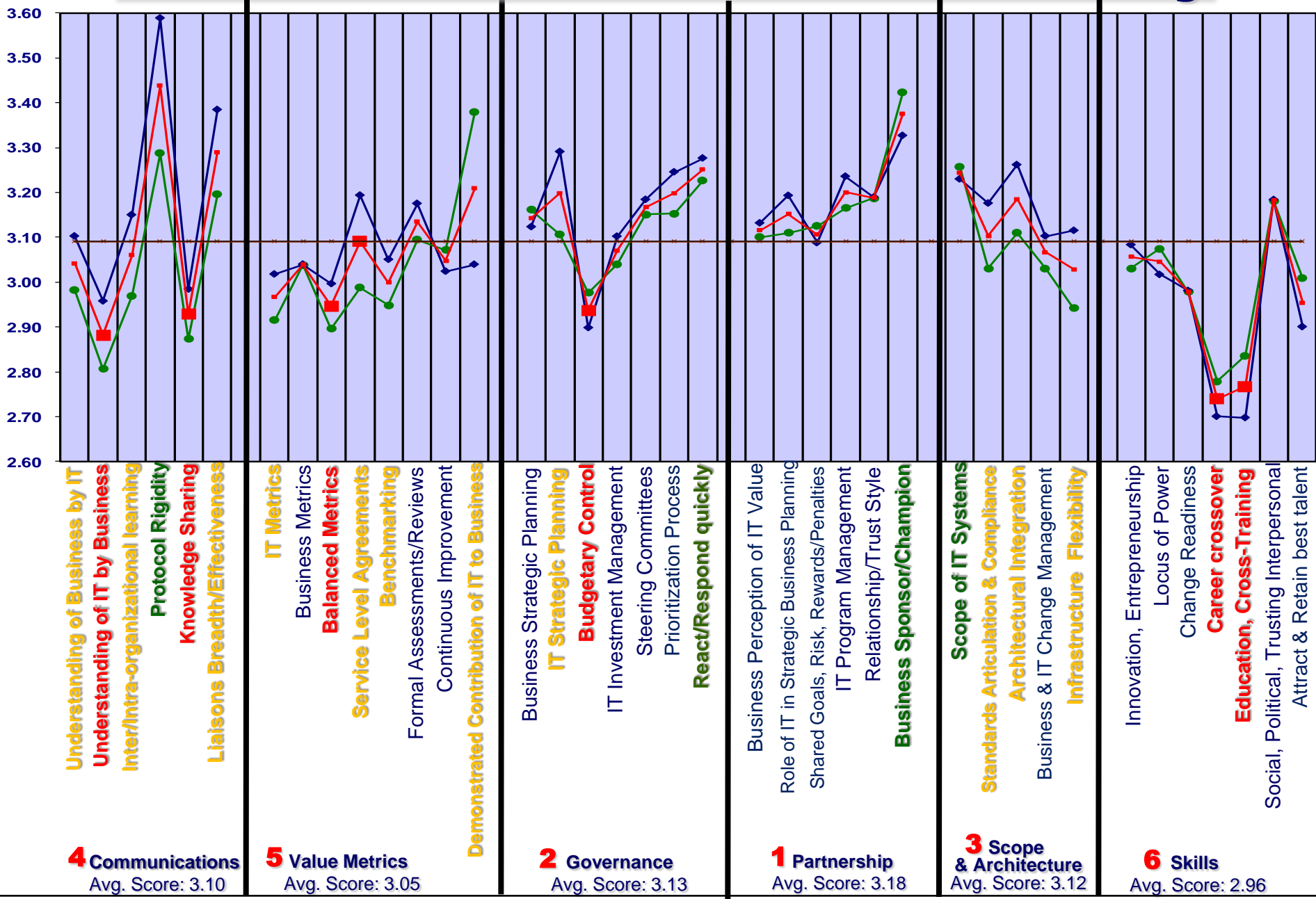
* Overall Alignment Average Score: 3.09

◆ IT   ● BUS   ■ Average

Geography: Maturity by Component

Geography	Number of Companies	COMMUNICATION	COMPETENCY	GOVERNANCE	PARTNERSHIP	SCOPE OF IT ARCHITECTURE	SKILLS	Overall Average
Europe	61	2.85	2.63	2.94	2.78	3.01	2.70	2.82
Australia	28	2.88	3.01	3.15	2.96	2.96	2.68	2.94
USA	184	2.93	2.93	3.07	3.09	3.12	2.84	3.00
Latin America	44	3.17	2.94	3.03	3.16	3.27	3.00	3.10
Asia	44	3.52	3.59	3.58	3.64	3.60	3.55	3.58
Africa	1	4.0	3.71	4.13	4.4	4.0	4.0	4.05

Overall Alignment Average Score: 3.09

STEVENS
INSTITUTE of TECHNOLOGY

EUROPE

Alignment Average Score: 2.82

🙂 HIGHEST ELEMENTS   Averages

1. Protocol Rigidity   3.368
2. Business Strategic Planning   3.222
3. IT Strategic Planning   3.176
4. Understanding of Business by IT   3.126
5. Standards Articulation & Compliance   3.112
6. Scope of IT Systems   3.102

😖 LOWEST ELEMENTS   Averages

1. Budgetary Control   2.230
2. Knowledge Sharing   2.451
3. Balanced Metrics   2.466
4. Education, Cross-Training   2.489
5. Service Level Agreements   2.496
6. Change Readiness   2.519

Industry Maturity Levels By Component

Industry Name	# of Companies	Communications	Competency	Governance	Partnership	Tech. Scope	Skills	OVERALL AVERAGE
Retail	10	3.54	3.52	3.70	3.75	3.73	3.45	3.62
Hotel/Entertainment	10	3.23	3.39	3.38	3.49	3.77	3.35	3.44
Service	48	3.26	3.23	3.34	3.36	3.34	3.35	3.31
Insurance	11	3.19	3.34	3.51	3.31	3.34	2.89	3.26
Oil\Gas\Mining	13	3.05	3.31	3.36	3.06	3.37	2.98	3.19
Manufacturing	54	3.21	3.03	3.10	3.15	3.24	3.07	3.13
Financial	106	2.93	2.87	3.13	3.17	3.14	2.82	3.01
Utility	7	3.09	3.21	2.64	2.76	3.40	2.75	2.98
Pharmaceutical	15	2.95	2.77	2.98	2.89	3.00	2.97	2.93
HealthCare	18	2.94	2.85	3.02	2.97	3.04	2.73	2.92
Transportation	21	2.77	2.97	2.82	2.93	2.84	2.68	2.84
Government	9	2.91	2.54	3.03	2.99	2.86	2.49	2.80
Chemical	7	2.75	2.64	2.86	2.81	3.08	2.44	2.76
Telecommunication	11	2.68	2.68	2.94	2.69	3.03	2.44	2.74
Agriculture	11	2.54	2.61	3.13	2.63	2.50	2.41	2.64
Educational	11	2.66	2.46	2.83	2.53	2.72	2.56	2.63

Overall Alignment Average Score: 3.09

SAM Performance Framework
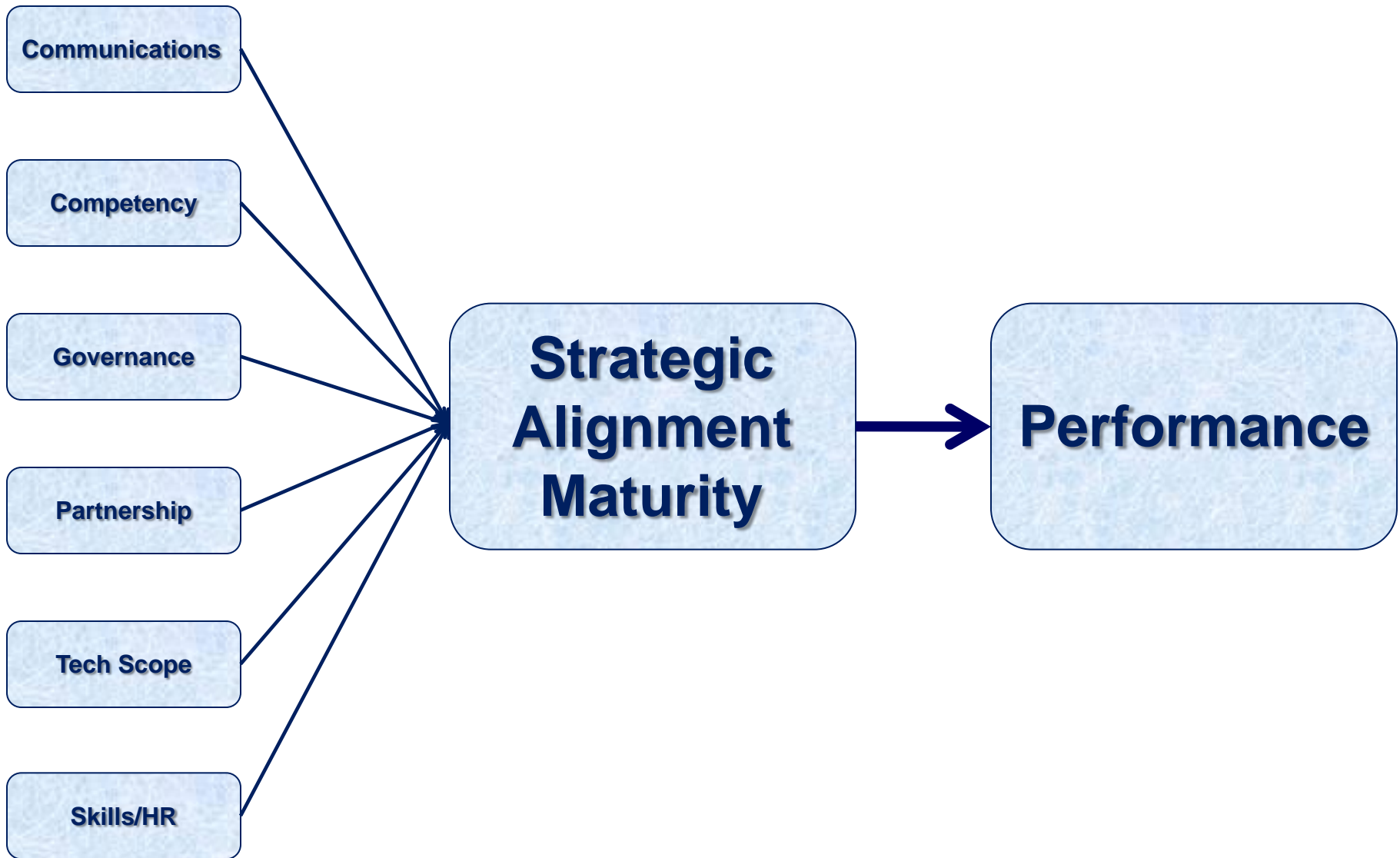
Structural Equation Model Validation
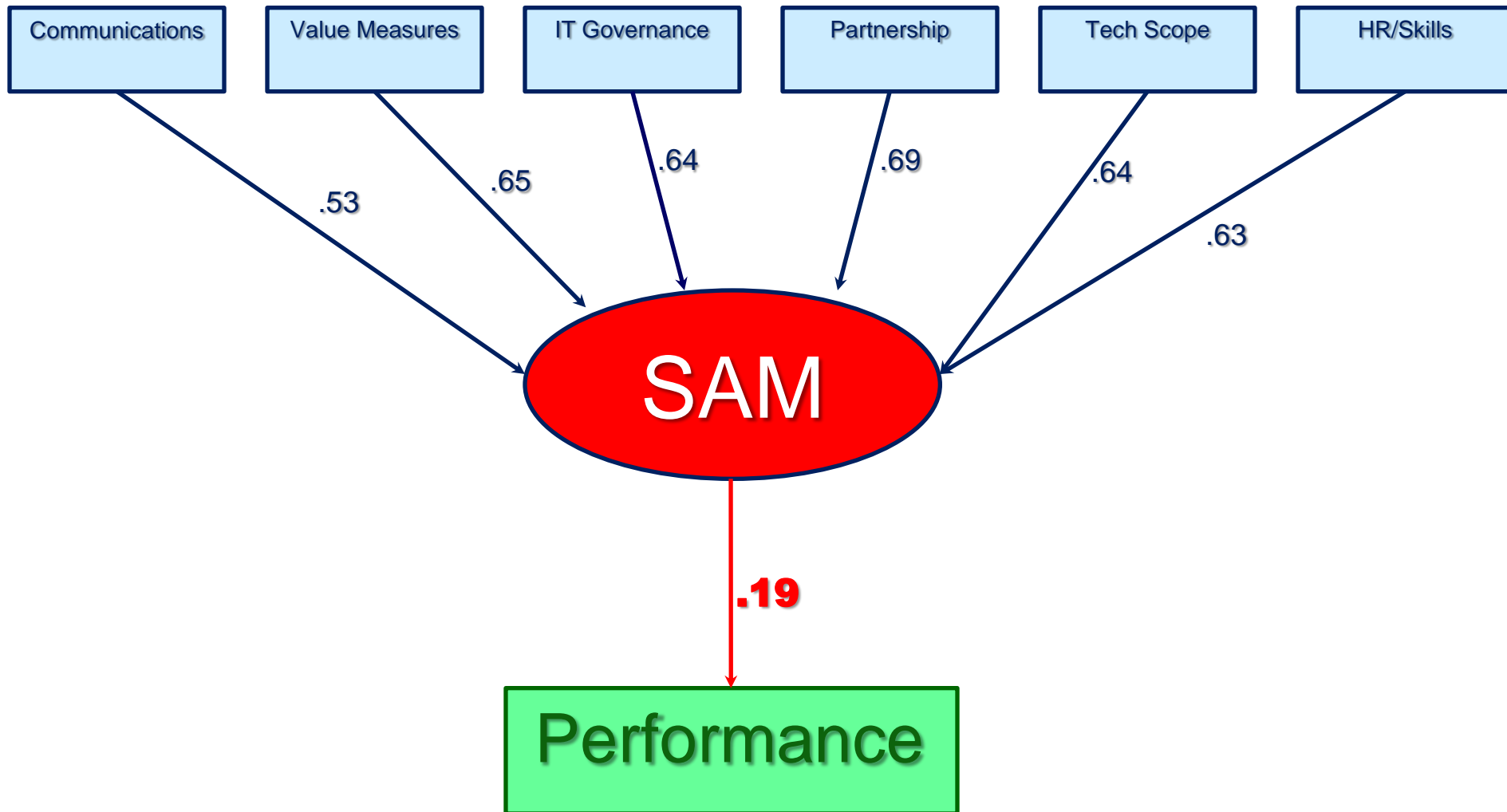
Organization Structure
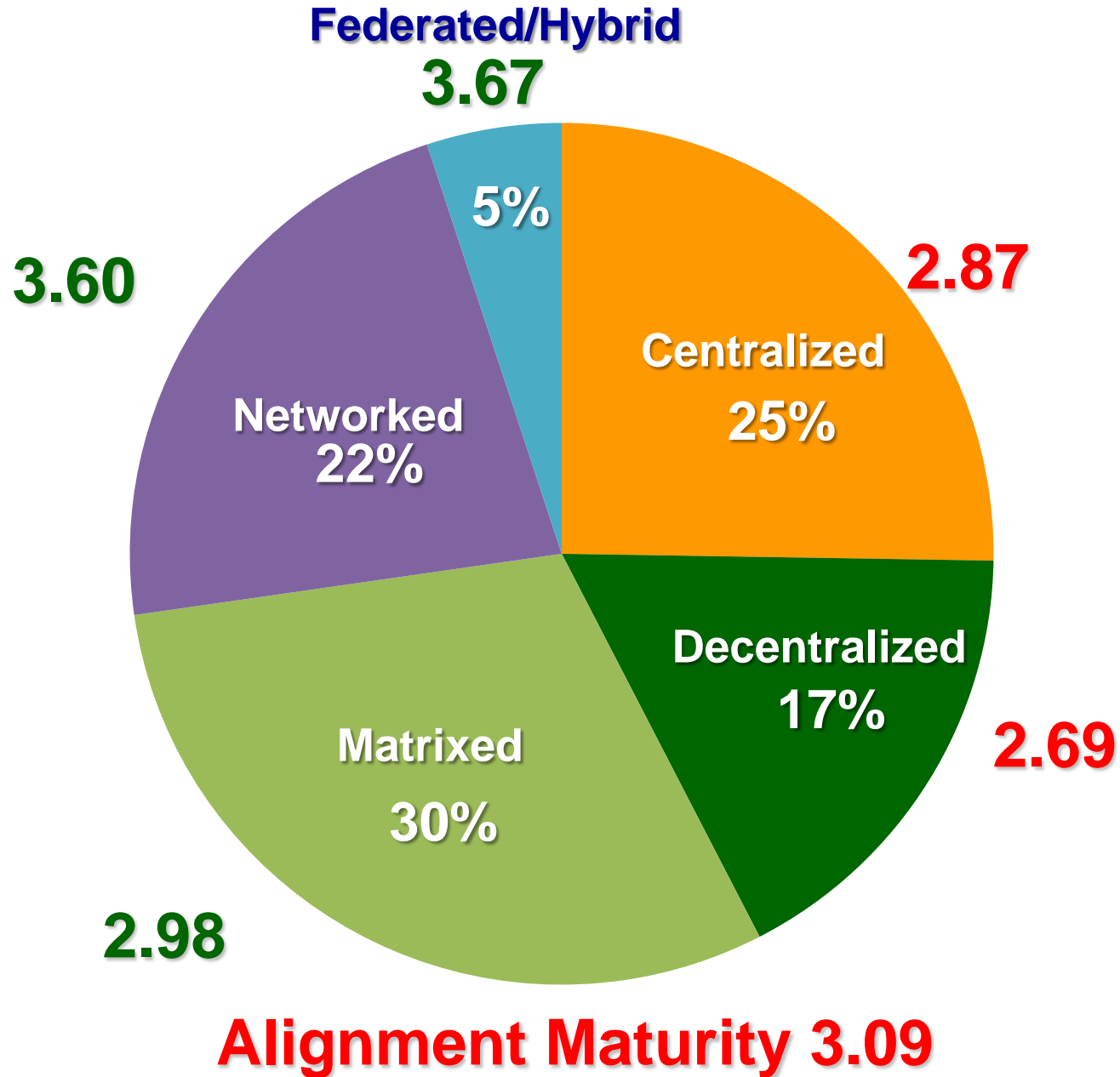
CIO Reporting Structure

3.01

COO
9 %

3.36

President, Chairman, CEO

Business Unit Exec

56 %

30 %

5 %

CFO

3.45

3.25
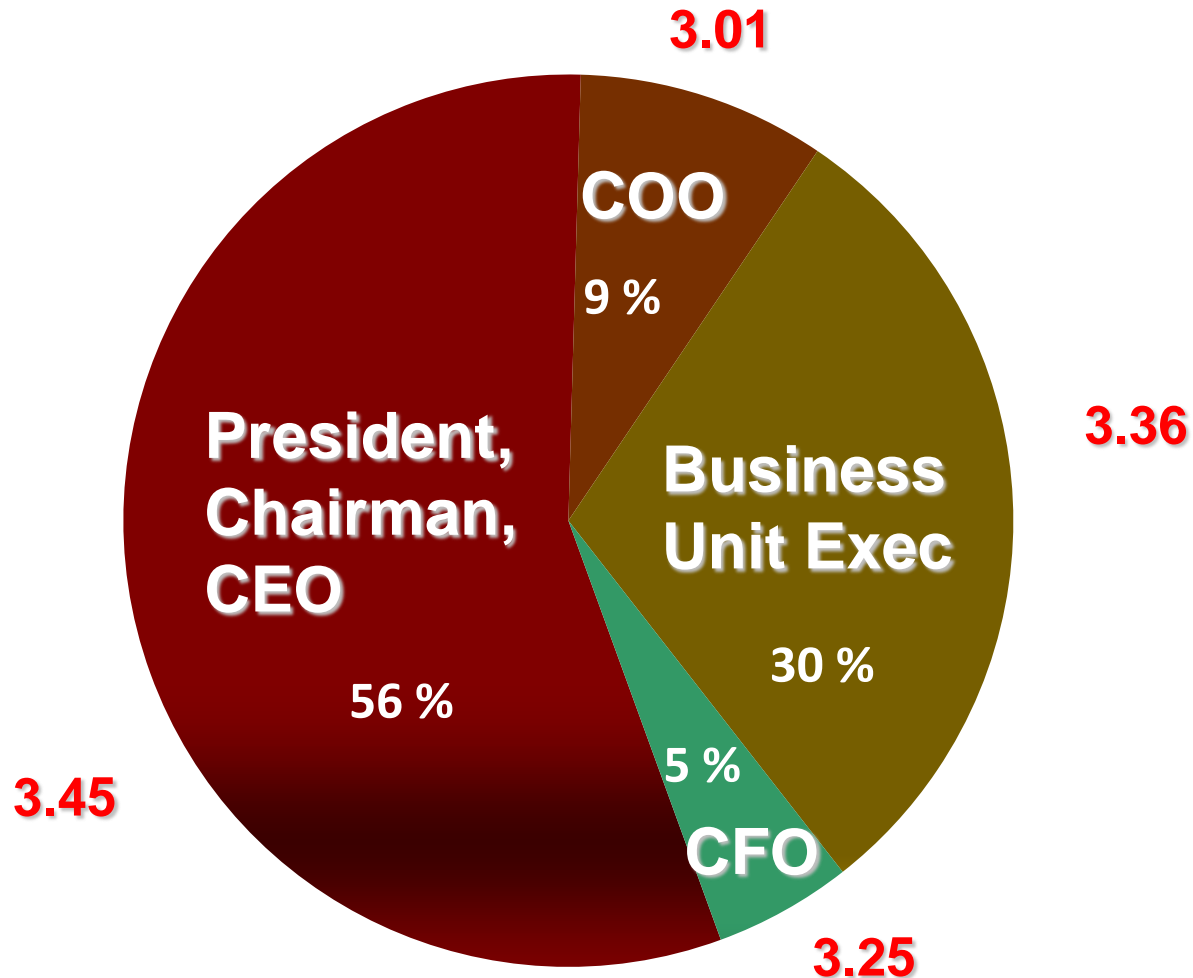
Alignment Maturity 3.09

Open up the door to improve the relationship of IT & Business!

http://www.stevens-is.com/sam/

Password: Guest

What would you like to talk about?

- *IT careers*
- *IT skills*
- *IT business alignment*
- *Future of IT*