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DRAWING "ALIGN" IN THE SAND: THE CULTURAL SHIFT TOWARDS FEDERATING IT AT GUARDIAN LIFE INSURANCE

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EXECUTIVE SUMMARY

The five year transformation at Guardian Life Insurance provides significant insights for organizations aspiring to enhance their IT business alignment. Alignment is more than just organizational structure, there is no silver bullet; it requires effective governance, partnership, communications, value analytics, technical services, and people. Like most companies around the globe, Guardian recognized the importance of moving to a collaborative IT business alignment relationship; IT business alignment was a persistent pervasive problem that needed to be improved. In 2005 Guardian viewed IT as an ineffective expensive cost of supporting the business. Was improving the IT business relationship as difficult as drawing "a line" in the sand?

Today, IT is enabling and driving demonstrable strategic business value. The approach that transpired this turnaround at Guardian will provide students and organizations with a clear understanding and set of lessons learned that can be applied to enhance IT business harmony. More importantly, it will help organizations recognize the important role that IT and business leadership must play as they collaborate to address the important considerations necessary to attain a mature relationship.

To demonstrate this transformation, the past and the current IT-Business alignment maturity of Guardian has been benchmarked and analyzed to reveal the steps taken to enhance the impact that IT is having on the company. Were these initiatives all that are necessary to enhance the IT business relationship? What are the important next steps to improve the relationship?

Keywords: Transforming IT and Business, Alignment of IT and Business, Alignment, Guardian Alignment, Maturity Assessment

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IT AND BUSINESS ALIGNMENT MATURITY

IT management surveys (like the annual Trends survey published in MISQE and JIT) consistently demonstrates that alignment has remained a major concern for over three decades, including the turbulent times of the current economic conundrum (and other business changes, e.g., globalization, sourcing models, politics, wars, natural disasters) and the advent of new technologies (e.g., Cloud, social networking, Bring Your Own Device, big data).[1]

An overview of IT business alignment and the strategic alignment maturity (SAM) assessment is provided in the Appendix, for those readers not familiar with the model applied by Guardian Life and over one-third of the global 1,000 companies. This case provides an applicable new perspective of IT business alignment by describing a valuable set of initiatives carried out by Guardians experience over a 5-year period to analyze, learn, and take action to improve a pervasive and persistent problem, the alignment of IT and the business. The question remains, what else could/should be done?

ASSESSING THE MATURITY AT GUARDIAN

Guardian Life Insurance Company (overview of company background and benchmarking demographics is provided in the appendix) elected to go through a SAM assessment to help benchmark how it has progressed through its journey to transform IT business integration. The insights from benchmarking and comparing the current maturity to the maturity from 5 years ago, along with the actions taken by the Guardian team to improve

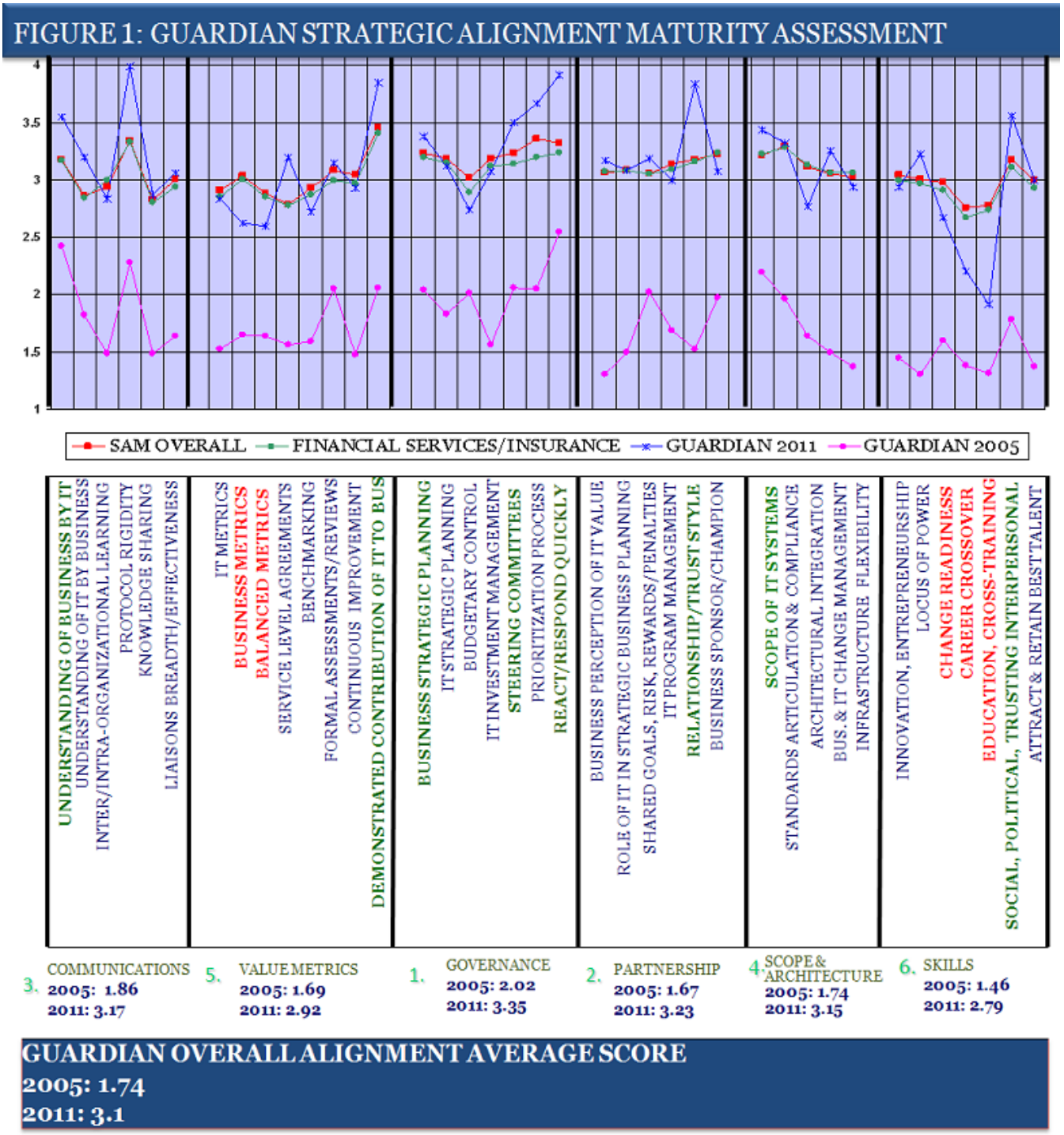
[1]McLean, Ephraim; and Soden, John; first raised the IT-business alignment issue in Strategic Planning for MIS, John Wiley and Sons, New York, 1977; Luftman, Jerry; and Ben-Zvi, Tal; "Key Issues for IT Executives 2010" MIS Quarterly Executive (Volume 9 Issue 4), December 2010.

IT business harmony is the focus of this case. The results will provide readers with a series of insights and lessons learned that can be applied to their organization, while challenging them to identify important elements still missing. Perhaps most important is that alignment, while being a pervasive persistent problem, has no simple, single solution; there is no silver bullet.

Figure 1 summarizes the Guardian alignment maturity benchmark for 2005 (Pink Line) versus 2011 (Blue Line). It also compares Guardian with 117 Financial Services and Insurance Industry (Green Line) companies and the overall SAM average (Red Line) across the 362 Global 1,000 companies that have participated in Luftman's SAM assessment. The green elements on the X-Axis represent the strongest areas for Guardian in 2011. The red elements on the X-Axis represent the weakest areas for Guardian in 2011; these are the areas that provide the largest opportunity for improvement.

The average component score compares the average score for 2005 (1.74) versus 2011 (3.10), a significant improvement. Additionally, as illustrated in Figure 1, Guardian has improved in each of the six components of SAM; but there are still opportunities to do even better. Governance ranks highest with an average score of 3.35 in 2011; an improvement of 1.33 over the 2.02 in 2005. Next is Partnership with an average score of 3.23 in 2011; an improvement of 1.56 from the 1.67 in 2005. Next is Communication with an average score of 3.17 in 2011; an improvement of 1.31 over the 2005 score of 1.86. Scope and Architecture follows with an average score of 3.15 in 2011; an improvement of 1.41 over the 2005 score of 1.74. Next is Value Metrics with an average score of 2.92 in 2011; an improvement of 1.25 over the 2005 score of 1.67. Last/weakest is the Skills component with an average score of 2.79 in 2011; an improvement of 1.33 over the 2005 score of

1.46. Elements from all six alignment components needed to be addressed if Guardian was going to improve IT business alignment.



Guardian IT 2005, the Need for A Change

Going back just 5 years (2005), the IT department at Guardian was reactive rather than proactive; costs were increasing while services were not improving; SLAs were not being met, and projects were not completed on time, scope, or budget. The business did not have confidence in the way IT was managing expenses, while the reliability of the IT systems was unpredictable. Consequently, there was no trust between business and IT organizations. IT governance was decentralized and in its infancy, with many decisions driven top down without any participation from the business people being impacted. The IT organizational model was not well-structured, having more of a decentralized form with unclear delineation of roles and responsibilities.

The SAM results sum it all up. With an overall 2005 SAM average score of a meager 1.74 and a highest score of just 2.55 for 2005, everything needed to be addressed; it demanded more than just an organizational change. The 2011 SAM assessment score was 3.1; a significant improvement in 5 years. Below are the major problems identified by the SAM results of 2005, which will be followed by a discussion of how Guardian chose to address them; what did they miss and what could they have done better?

Problems in 2005

1. Communications

1.1 Inter/Intra Organizational Learning: This element is about opportunities and approaches available for IT to learn about the business and the business to learn about IT across the company. Guardian scored a 1.49 for 2005. At Guardian, there was no formal way of gaining insight into the organization as a whole. This “siloed” learning happened on a more ad hoc or as-needed basis. Attendance in the quarterly town hall meetings was very low and other than that there was no formal forum for this learning to occur.

1.2 Knowledge Sharing: This element is about ensuring that IT is aware of everything necessary about the business initiative to ensure successful service delivery, while the business is aware of everything they need to know regarding IT initiatives. Guardian scored a 1.48 for 2005. This too, was on an ad hoc as-needed basis. There was no formal structure and cross-functional knowledge sharing was very rare. Working on a project having a cross-functional impact was the only way for this to occur formally.

2. Competency

2.1 Continuous Improvements: This element is about practices such as lean Six Sigma, reviews, etc., that strive for regular business and IT process enhancements. Guardian scored a 1.47 for 2005. There was no such formalized practice at Guardian. There were project close out meetings, but the lessons learned were never put into action or use.

2.2 IT Metrics: This element consists of the analytics necessary to demonstrate the contribution of IT to the business as well as the tactical and operational analytics and processes necessary to understand the effectiveness and efficiency of the IT processes. Guardian scored a 1.53 for 2005. These metrics at Guardian were more at a technical level. There were some measurements for cost efficiencies but largely nothing was being done based on the results of the measurements.

3. Governance

3.1 IT Investment Management: This pertains to the IT decision making processes for the allocation of IT resources (e.g., financial, people). Guardian scored a 1.57 in 2005. At Guardian, this was perceived necessary mainly for reducing IT costs. Business effectiveness using IT was not a consideration.

3.2 IT Strategic Planning: This pertains to the business role in the preparation of the IT strategy. Guardian scored a 1.84 for 2005. This was being done at the IT functional unit level with very limited business involvement. The central IT unit made decisions “on their own” and then passed them on to the IT units across the organization.

4. Partnership

4.1 Business Perception of IT Value: Guardian scored a 1.31 for 2005. IT was seen largely as a cost of doing business at Guardian with a primary focus on reducing IT costs. Business did not value IT as a collaborator with the same goals as the business; IT was considered more like an external vendor with their own goals.

4.2 Role of IT in Strategic Business Planning: Guardian scored a 1.49 for 2005. There was minimal involvement of IT as the business prepared their strategies. IT was an afterthought that was used to support certain business processes as a reaction to some event rather than being utilized proactively for increasing effectiveness and efficiencies.

5. Scope

5.1 Infrastructure Flexibility: Guardian scored a 1.37 for 2005. Since the IT focus was mainly on cost reduction, IT was seen just as a utility that provided basic technical services. Systems were not easily scalable and creating new services required new hardware purchase.

5.2 Business & IT Change Management: Guardian scored a 1.49 for 2005. The change management processes were only at the functional unit level and not across the entire organization. Business changes were often not communicated and IT changes, like the purchase of a new technology, were only made known during or after the actual roll out.

6. Skills

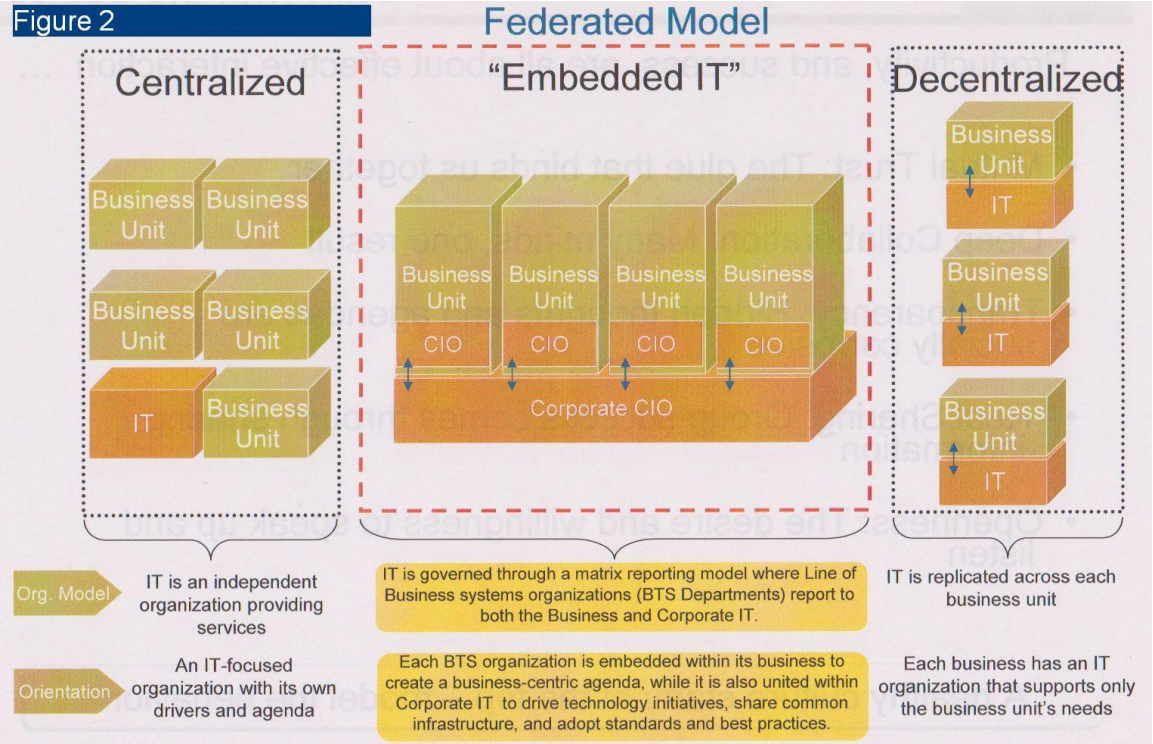
6.1 Locus of Power: With a score of just 1.30, this was the lowest score for 2005. The IT decisions were imparted in a top-down approach by IT management. For example, a fixed percentage of offshore resources were made mandatory by senior IT management. In addition, requirements were not gathered from functional units before purchasing a new technology. For example, a new software tool was introduced without having the licenses for the existing tool renewed; thus forcing the functional units to use the new tool that they were not in favor of and offered less flexibility in meeting the specific needs.

6.2 Social, Political, Trusting, Interpersonal: Guardian scored a 1.79. There was a lack of trust and collaboration between IT and business. Business was never sure of what charges they would incur from usage of IT resources. This was compounded by the "communication on an as needed basis", and typically focused on conflict resolution.

Initiatives to Shift Towards "Federating IT"

Frank Wander, the 2011CIO of Guardian, assumed responsibility in 2006. Under his leadership, Guardian IT has reinvented the IT-business relationship, such that IT became a more maturely aligned business partner with a seat (and voice) at the table. The IT organizational model is much more structured and defined. With the Federated organization structure, IT is now deeply "embedded" into the business units, supported by a corporate shared services organization that centrally manages core IT services while harmonizing IT performance and culture across the enterprise. Figure 2[2] below illustrates the difference between the 3 organization models vis-à-vis: Centralized, Decentralized and Federated (or Embedded) IT model and how "Embedded IT" is working at Guardian.

[2] Frank Wander; "Turnaround and Transformation "The Missing Ingredient" ", presentation in CIO Perspectives executive conference Chicago, April 21 2010



Centralized IT organizations are those in which all of IT reports to a single IT executive. It tends to lead to improved economies of scale. All IT services reside at the corporate level. The benefit of having a centralized structure is (should be) consistency and standardization of IT management practices, and more flexibility in assigning IT staff.

In a decentralized structure each business unit has its own IT organization (including infrastructure). There is little or no coordination across business units or with corporate. Corporate IT supports the corporate departmental staff and perhaps some enterprise applications.

The blend of the Centralized and Decentralized Model is the Federated IT organization model. Here, there is a centralized IT Department as well as independent IT Units for each of the Business Units. The IT departments for the business units have a dual reporting (matrix) where the IT executive reports to both Business Unit Executive and to Corporate IT. Despite the complex relationship management within this organizational model, and the inherent challenges to management, this model provides the benefits from both the

Centralized and Decentralized model. The reader should note that in a pure Federated or Hybrid model the Business Unit IT Executive would just report to the Business Unit Executive.

Guardian had a decentralized IT organization model in 2005. The shift towards Federated IT, has enabled Guardian to have a highly effective IT business alignment focused solely on initiatives that provide demonstrable value, which only reconfirms that the Federated IT organizational model tends to have a higher SAM score; organizations with a Federated organization structure tend to have a higher alignment maturity assessment (3.31) than those that are centralized (2.86) or decentralized (2.89).[3]

Additionally, while SAM research has shown that, on average, organizations in which CIOs report to CEOs have higher alignment maturity (3.42) than those reporting to business executives (3.23), the COO (Chief Operating Officer; 3.02), or the CFO (Chief Financial Officer; 2.89)[4] at Guardian Frank Wander reports to the CFO; albeit he has a strong collaborative relationship with the CEO.

Keeping the core corporate values of Guardian in mind, this blend of IT and business has resulted in IT being seen as a more trusted partner, with increased participation in planning and delivering strategic business value. IT governance is fully developed, and ingrained in the fabric of the divisions, with greatly increased participation from the stakeholders involved. In the process of carrying out this transformation and the closer alignment between business and IT that ensued, Guardian IT proves to be well-ahead of the curve in addressing pressing issues in a dynamic environment. As discussed below, the successful transformation demanded more than just the organizational change.

[3] Luftman, Jerry; and Kempaiah, Raj; "An Update on Business-IT Alignment: 'A Line' Has Been Drawn", MISQE Vol 6, No 3 (2007).
[4] Luftman, Jerry. and Kempaiah, Raj; "An Update on Business-IT Alignment: 'A Line' Has Been Drawn," *MIS Quarterly Executive* (6:3), September 2007, pp. 165-177.

The Road to Improvement

The Guardian SAM results for 2011 demonstrate the development of the strategy applied as Guardian experienced an overall improvement across the board; not just the specific problem areas. The overall SAM score for Guardian now stands at 3.1; higher than the average SAM score of 3.04 for Financial Services and Insurance Industry, and a significant improvement from its 2005 score of 1.74; but with opportunities to improve even further to attain a level 5. These improvements were the result of the strengthened harmony between IT and business at Guardian that came from executive commitment to address most of the opportunities for improvement. The 2011 assessment also identifies the roadmap that Guardian needs to follow as it continues on its journey for a more mature IT business relationship.

2005 – 2011 Initiatives

As evident from Figure 1, Guardian has done well in establishing relationship and trust between IT and business with a score of 3.84 compared to the average of 3.16 from other Financial Services Industry organizations. This is also demonstrated by the improved flexibility in protocols for communication between the two with an average score of 3.99 compared to the 3.33 from the Financial Services Industry.

This has led to being able to better anticipate the forthcoming business changes, and thus improving the ability to react and respond quickly to those business changes, which scored an average of 3.92 compared to 3.24 from the Financial Services Industry.

The following explores some of the specific improvements observed in the 2011 benchmark for the major problem areas of 2005 and the initiatives that enabled these improvements.

1. **Communications** Frequent structured meetings among business and IT stakeholders is fundamental to foster collaboration and understanding across organizations, as experienced at Guardian.

1.1 Inter/Intra Organizational Learning: This has improved from 1.49 to 2.84. The revamp of the Guardian Intranet website has gone a long way in improving this score. News or events at other functional units are communicated very effectively through this medium. The recent Guardian 150 year History Quiz and the Compliance Quiz are some of the examples of this learning through the Guardian Intranet. Besides, there are monthly IT Functional Unit Meetings and Skip-Level meetings across all IT areas which facilitate Intra Organizational learning. Upcoming projects and past results or successful initiatives are shared in these meetings. The quarterly IT Town Hall meetings are another forum to disseminate information enterprise-wide, while each department holds its own Town Hall to communicate local information across the division. The low attendance is no longer an issue and the town hall meetings have become entertaining in addition to the organizational learning to occur. After all, who would not want to see the CIO and CTO perform a Karaoke act?

1.2 Knowledge Sharing: This has improved from 1.48 to 2.89. Periodic staff meetings have fostered this to happen. Increasing lunch and learn sessions between IT and business within the functional units as well as across functional units have also improved this aspect. With the revamp of the Performance Management (part of the governance process described below) process, the objectives of the organization as a whole are

passed on to every associate at different levels. Collaboration between IT and business for achieving a common goal (success of a project) has also provided opportunities for knowledge sharing and understanding of goals and priorities between IT and business. The revamp of the governance process involving the prioritization of projects that requires participation from both business and IT is another reason for this improvement. Periodic Steering committee meetings or working committee meetings between IT and business middle management at certain functional units also go a long way for intellectual understanding and appreciation of problems and opportunities to occur.

2. Competency

2.1 Continuous Improvements: The launch of the Operational Excellence (OE) initiative is a step forward in driving towards the cycle of continuous improvements. Operational Excellence programs throughout the organization with equal participation of IT and business striving towards the improvement has improved the harmony between the two to a huge extent. These programs have also motivated the employees to continuously monitor and strive for possible improvements to any existing processes and procedures. The articles of successful OE initiatives are posted on the Guardian intranet to motivate associates across the entire organization. The IT governance model at Guardian covers all areas of IT based on the COBIT (Control Objectives for Information and Related Technology) framework, and each of the 12 business areas is responsible for providing an annual SWOT resulting in an action plan to continuously improve the performance and efficiency of that IT governance area. This has resulted in an increased score from 1.47 to 2.93.

Just as introducing continuous improvement programs is necessary, the motivation to actually be involved in these initiatives should be fostered by awareness, training and recognizing successful initiatives.

2.2 IT Metrics: This has improved from 1.53 to 2.84. Key operational metrics that are directly related to the business are used to measure the overall performance of IT, integrate project portfolios with the enterprise objectives, and measure department and individual employee performance. As a result of the process improvements made during the Stabilization phase, 94% of all business projects are delivered on time versus an Insurance Industry benchmark of 52%, based on Gartner research. The Optimization phase resulted in driving down the Run the Business versus Invest in the Business ratio to 60/40. In addition to decreasing the cost to run the business, IT expenses as a percent of premium and fees were also reduced. These key operational metrics are used during the Annual Planning Process to manage the portfolio of projects such that they are in harmony with corporate objectives.

Standardization and changes to the Software Development Life Cycle requires feedback from all team members at the completion of the project. A close out report is prepared that not only includes analysis of the financial analytics, but also every IT aspect of the project is measured. It also has project overrun information and lessons learned that are utilized and acted upon for other projects.

Metrics should be defined, readily available and incorporated in operational processes. As part of the Federated IT model, where planning and objectives are fully integrated, uptime goals are set as an organizational objective, much like Sales or Operations, e.g., customer facing systems will achieve a Service Level of 99.92% availability. Although Guardian had developed detailed SLAs (Service Level Agreement) in the past for hundreds of applications, the current streamlined approach is to provide monthly publication of system performance and availability against this goal and to engage the business immediately for support with any outage or performance degradation. IT has

consistently met the system performance expectations of the business across all departments for three years in a row. The IT and business relationship to ensure that systems are always available and that any downtime is immediately remediated, combined with the transparency of regular dashboard reports, has resulted in a vast improvement of service levels across IT over the last five years.

3. Governance

In the revamped Governance process, a business solution now has shared ownership between IT and business where certain portions of the project lifecycle are owned by the business and certain by IT, while they collaborate and assist each other in components not owned by them. This sharing of a common goal (successful completion of a project) has resulted in business and IT acting together as a collective team to achieve desired outcomes also improving their communication channels.

Additionally, as the transformation strategy evolved, a methodology that segmented tactical initiatives into three overlapping phases was chosen: Stabilize, Optimize, and Transform. This methodology gave the highest priority to improving collaboration, driving reliable execution, managing financials, and defining clear roles and responsibilities, prior to undertaking any initiative. The strategy provided a number of benefits, the most important being the ability to quickly establish IT as a credible partner such that discussions about transformation were undertaken against a backdrop of strong performance indicators.

3.1 IT Investment Management: An Expense Optimization program was put in place to initially stabilize spending and generate cost avoidance by optimizing the underlying factors that lead to increased expenses. Furthermore, the program optimized expenses by identifying opportunities to eliminate costs associated with unnecessary or redundant

technology, expensive contracts, or labor intensive processes. As part of this program, expense owners were established for every functional area and costs were pushed down to the lowest applicable level in the organization by creating well defined cost pools. The success of this program was based on an adage “Know Your Numbers”, and rewarded individuals that executed on cost avoidance and expense optimization opportunities. IT Investment Management is further being transformed as part of IT Portfolio Planning to ensure that the right work is being performed. From the earlier “cost only” focus, the IT Investment decisions are driven more after a financial impact analysis and perceived to be increasing productivity and effectiveness as their focus. The effectiveness of this program is seen in a gross reduction in Shared Services expenses of 28% over the prior three years, positively impacting chargeback numbers, and further enhancing the businesses view of IT as a partner that is focused on their needs.

IT Investment Decisions should be made after analysis of its result on business effectiveness and other factors like productivity and efficiency.

3.2 IT Strategic Planning: The new governance process facilitates the participation of business and IT as well as functional units for the Strategic Planning of IT as it involves participation of all the three in project prioritization. This has improved the score from 1.84 to 3.12. Strategy Development is conducted based on industry trends with specific research to identify when new technology should be introduced into the organization. The resulting strategic roadmaps are referenced in the Portfolio Planning process to ensure that the appropriate investment dollars and associated projects are identified and funded. This strategic planning is what drives innovation and enables the business to change and grow. To properly execute strategy, IT works closely with the business for Demand Management and Capacity Management. This strategic partnership ensures that required resources are available so that existing IT processes remain stable and planned IT projects are successfully executed.

IT Strategic Planning enables the business to grow by collaborating on innovation and technology transformation.

4. Partnership

4.1 Business Perception of IT Value: The partnership between IT and business is greatly improved as noted by the increase in score from 1.31 to 3.17. Business understands the value IT provides to their day-to-day activities. This year, after major cycle time improvements in one of the business process, the Group PMO SVP quotes "We had a good partnership with the IT Department to ensure that our system performed effectively during the busy season".[5]

As IT works more closely with business for the same goals (successful completion of project), the perception of the IT Value keeps on increasing.

4.2 Role of IT in Strategic Business Planning: IT has a seat at the table when it comes to business planning. In addition to collaborating on annual IT Functional Plans for each IT division as well as Corporate IT as a whole, the Office of the CEO is kept up to date on technology trends and large IT initiatives based on semi-annual IT Operating Reviews and ongoing IT program updates. Operational Excellence and the partnership and collaboration between IT and business, has led to the business being aware of the various opportunities IT offers to improve the business processes. This has led to an increase in score from 1.49 to 3.08. The goals of IT and business are not different as is now realized by both sides and IT is being actively involved in realizing these goals.

[5] Quote from Guardian Intranet Article Posted on 05/24/2011 about major cycle time improvements in Group Case Install Business Process as an Operational Excellence initiative.

5. Scope

5.1 Infrastructure Flexibility: While the earlier infrastructure was largely inflexible, the new elasticity has improved from 1.37 to 2.93. The transparency between business and IT has also contributed to this achievement. A major revamp of the infrastructure is being undertaken which will largely improve this flexibility even further.

5.2 Business & IT Change Management: IT and business changes are becoming more and more transparent to the extent they can be made more smoothly. For any IT change, all business units and their Federated IT functions are engaged to finalize the requirements before the changes are undertaken. This makes the change very transparent and participative. Business changes are communicated via email or the intranet site. This has led to an increased score from 1.49 to 3.26

Participation is the key to effective change management and allows for smooth transition to the change being imparted.

6. Skills

6.1 Locus of Power: The earlier locus of power was divided into a centralized Corporate IT and top-down approach with islands of decentralized IT decision-making authority in satellite IT operational areas. IT is now a Federated IT Organization where Divisional CIOs are Federated in the business units, yet also report into Corporate IT. This ensures proper integration and service to the business, while retaining a centralized model for governing all IT functions. Now, with the new governance model, functional units are also being engaged in making decisions. IT Governance areas have review boards and councils that make sure decisions abide by or conform to the Guardian objectives and budget. As these governance areas mature, decision making authority is pushed lower into the organization.

Important IT based decisions are being made with equal participation from business and IT management. This participative decision making has turned around the score from 1.3 to 3.23.

6.2 Social, Political, Trusting, and Interpersonal: This is one of the most significant improvements in the Skills component with a score of 1.79 in 2005 to 3.56 in 2011. IT created a cultural imperative to build a collaborative and productive work environment underpinned by openness, transparency, and sharing that has resulted in a high degree of trust within IT, and between IT and the business. The stream lining of the charge backs from IT to business has further increased trust between the two units, as IT is seen as a trustworthy custodian of the budgets, rather than the owner. Collaboration between business and IT towards a project at hand has also increased the dependencies on the each other and the trust between the two. Emphasis on one of the Guardian core values "People Count" has also assisted in this transformation. Effective change management in the organization with a participative approach has fostered an increase in social, political and interpersonal trust.

Chargeback from IT to business must be streamlined and transparent for establishing trust between business and IT.

The Journey Continues

Guardian has established improved alignment maturity between IT and business based on the turnaround initiatives to stabilize and optimize IT. Perhaps most important is recognizing that alignment, while being a pervasive persistent problem, has no simple, single solution; there is no silver bullet. The initiatives described in this case helped Guardian ensure that the business is confident about the stability and management of IT

services. In addition, as much as the improvement of the IT and business alignment is possible, the success in this higher alignment maturity must not translate into complacency. A constant vigil on the problems as well as possible opportunities for improvements is necessary for an optimized performing organization. The journey continues.

Now that the business has improved confidence in IT, the next step is to collaborate with the business to further transform IT to allow for larger expense savings and more impactful enablement of the business with new technology and processes. The question remains, what still needs to be done?

The 2011 Guardian SAM benchmark (included in Figure 1) has identified opportunities for improvement at Guardian. Guardian remains weak in Education and Cross training with an average score of 1.91 compared to 2.74, Career Crossover with an average of 2.21 compared to 2.67 and Business Metrics with an average of 2.62 compared to 3.01 of the Financial Services Industry. These must be addressed for Guardian to achieve a yet higher level of alignment. Skills and Competency both stand out with a score below average. The following is a summary of the most important opportunities for improvement that were identified by the latest SAM assessment.

1. Business Metrics: Guardian has a current score of 2.6, as compared to other Financial/Insurance companies with a score of 3.01 and all companies with a score of 3.04. Just as IT Metrics measure the success or evaluate a project, on a similar note, there should be business metrics that can evaluate the effect of a project to the business process.

2. Balanced Metrics: With the current score at 2.6, as compared to other Financial/Insurance companies with a score of 2.86 and all companies with a score of 2.95, there is a need for linking IT and business metrics and making the standard readily available.

3. Education/Cross Training: With a score of 1.91, as compared to other Financial/Insurance companies with a score of 2.74 and all companies with a score of 2.77, education and cross training programs needs to be established and facilitated for effective participation across both IT and business.

4. Career Cross Over: With a score of 2.21, as compared to other Financial/Insurance companies with a score of 2.67 and all companies with a score of 2.74, this has improved slightly over the past years. But largely, the opportunities for career cross over remain unknown unless being actively looked upon.

5. Change Readiness: Guardian scored at 2.68 as compared to other Financial/Insurance companies with a score of 2.91 and all companies with a score of 2.98.

SUMMARY / CONCLUSIONS

While the alignment maturity assessment is designed to describe the correct problems/opportunities (and prescribe the appropriate next steps to address them) related to alignment, just like with any benchmarking, the results are only useful if the leadership of the organization is committed to take action; using the model as a roadmap. Guardian realized the need to improve the harmony among IT and business and was committed to take the appropriate initiatives to improve the maturity of the relationship. If Guardian was

to succeed as a corporation, they needed to be able to leverage the overall contribution of IT to the business.

The SAM findings substantiate the improvements that occurred in IT and business alignment at Guardian in the 5 year period following 2005. The assessment also provides Guardian with a useful framework in applying the findings for further improvements as they recognize the importance of the continuous effort necessary to leverage IT. They also recognized early on that to only assess some alignment considerations would not provide the complete roadmap necessary to attain a mature IT business relationship. It required more than just an organizational change to reach the result Guardian experienced; there is no silver bullet.

Improving alignment is not as difficult as drawing “a line” in the sand; albeit it is challenging. If you were the CIO or a consultant to the CIO, what would you do now to improve the Guardian IT business alignment maturity?

Appendix: IT Business Alignment

Some of the reasons why the alignment conundrum still persists include: (1) a need to recognize that it is not how IT is aligned with the business; it is how IT and business are aligned with each other; (2) a tendency to look for the one silver bullet that will enhance alignment while in reality, organizations need to address many (there are six, as will be discussed below) strategic alignment maturity considerations; (3) an absence of an effective, descriptive and prescriptive tool that can assist IT and business executives in addressing the alignment challenge; (4) recognizing the importance of alignment but concentrating just on IT infrastructure considerations; (5) having semantic disagreements on what to call it (e.g., converged, linked, integrated, harmonized, fused) rather than focusing on how to enhance it; and (6) the premature announcement that alignment is dead. Alignment is a continuous journey that successful companies like Guardian have committed to pursue.

Alignment considers both how IT is aligned with the business and how the business should or could be aligned with IT. Whatever term is preferred, the lack of alignment remains a persistent and pervasive problem[6] that demands an ongoing process to ensure that IT and business strategies adapt effectively and efficiently together. Furthermore, recent research suggests that while IT-business alignment has been improving, there are still challenges that need to be addressed. With an overall average maturity score still hovering around 3 (out of 5, to be explained below), there are still opportunities for improvement; IT business alignment is not something that should be considered a “dead issue”.[7]

[6] Luftman, Jerry; Dorociak, John; Kempaiah, Rajkumar; and Rigoni, Eduardo; "Strategic Alignment Maturity: A Structural Equation Model Validation" (2008). AMCIS 2008 Proceedings. Paper 53. http://aisel.aisnet.org/amcis2008/53.
Luftman Jerry; Ben-Zvi, Tal; Dwivedi, Rajiv; and Rigoni Eduardo; "It Governance: an Alignment Maturity Perspective" The International Journal on IT/Business Alignment and Governance, (1:2), 2010, pp. 13-25.

[7] Luftman, Jerry; and Ben-Zvi, Tal; “Key Issues for IT Executives 2010 Judicious IT Investments Continue Post-Recession”, MISQE

The first strategic alignment framework that gained attention from both practitioners and scholars was the Henderson and Venkatraman model[8]. Their Strategic Alignment Model (not to be confused with the Strategic Alignment Maturity [SAM] assessment described in this paper) is comprised of four quadrants: business strategy, IT strategy, organizational infrastructure, and IT infrastructure.

Since its introduction in the early 1990s, the Henderson and Venkatraman model has been the focus of constant advancements. For example, Maes[9] used this model as a starting point and created a model called the Unified Framework for Alignment (UFA). However, this and other known strategic alignment models[10] are essentially descriptive, making them very difficult to be applied by practitioners, consultants, and researchers.

A different and more practical alignment analytic was suggested by Luftman[11]. The initial research identified the activities that facilitate improvements in Business-IT alignment. That study emphasized that Business-IT strategic alignment could be obtained by focusing on the enablers (i.e., the organizational best practices) of the business-IT alignment, while avoiding the inhibitors (i.e., roadblocks/bottlenecks to enhancing the IT business relationship). Some of the key enablers include support of IT from the business or non-IT

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[8] Henderson, John; and Venkatraman, Venkat N.; "Strategic Alignment: Leveraging Information Technology for Transforming Organizations", IBM Systems Journal, Vol 32 No 1, 1993, Vol 38 Nos 2&3, 1999.

[9] Maes, Rik; Rijsenbrij, Daan; Truijens Onno; and Goedvolk, Hans; "Redefining business – IT alignment through a unified framework", Primavera Working Paper Series, http://primavera.fee.uva.nl/PDFdocs/2000-19.pdf

[10] Other strategic alignment models include: Croteau, Anne-Marie; and Bergeron, Francois; (2001) "An Information Technology Trilogy: Business Strategy, Technology Deployment and Organizational Performance", Journal of Strategic Information System, Vol. 10, No. 2, pp.77–99. Hu, Qing; and Huang, Derrick C; (2005), "Aligning IT With Firm Business Strategies Using the Balance Scorecard System", Proceedings of the 38th Hawaii International Conference on System Sciences. Reich, Blaize Horner; and Benbasat, Izak; (1996), "Measuring the Linkage Between Business and Information Technology Objectives", Management Information Systems Quarterly, 20, 55-81. Reich, Blaize Horner; & Benbasat, Izak; (2000), "Factors That Influence the Social Dimension of Alignment Between Business and Information Technology Objectives", Management Information Systems Quarterly, 24, 81-113. Tallon, Paul; & Kraemer, Kenneth;. (1998, August 14-16), "A Process-Oriented Assessment of the Alignment of Information Systems and Business Strategy", Proceedings of the Association for Information Systems Americas Conference. Hoadley, Ed; and Benbasat, Izak (eds.), Baltimore, MD; Teo, Thompson; Sian Hin; & King, William; (1997), "Integration Between Business Planning and Information Systems Planning: An Evolutionary-Contingency Perspective", Journal of Management Information Systems, 14, 185-214.

[11] Luftman, Jerry; Papp Raymond; and Brier Tom; "Enablers and Inhibitors of Business-IT Alignment" CAIS, Volume 1 Article 11 March 1999.

Executives, IT involvement in strategy development, IT understanding of business, business understanding of IT, partnership between IT and business, and project prioritization. Some of the key inhibitors include lack of leadership among IT management, lack of support from business executives, lack of a project prioritization process, and lack of partnership between IT and business.

Luftman's Strategic Alignment Maturity (SAM) model[12] provides a descriptive and prescriptive tool that is an amplification of the enablers/inhibitors study[13]. It consists of 41 elements (organizational practices) aggregated into the six components: (1) Communications; (2) Value Measurement; (3) IT Governance; (4) Partnership; (5) IT Scope; and (6) Skills. This model requires the participants (IT and business executives) of a SAM assessment to rate their organization's behavior in each of the 41 elements using a one to five Likert scale, where "1" denotes very ineffective and "5" denotes very effective.

The main contribution of SAM is that it combines descriptive and prescriptive aspects of alignment. This unique combination generates a roadmap that academics, practitioners, and consultants can apply to attain higher levels of IT effectiveness, which in turn, help organizations attain better business performance. Additionally, with over one-third of the Global 1,000 companies in the SAM repository, the opportunity to benchmark considerations such as comparison by industry, geographies, and position have proved extremely valuable.[14]

[12] Luftman, Jerry; "Assessing Business-IT Alignment Maturity," CAIS, Volume 4, Article 14 December 2000.
[13] Luftman, Jerry; Papp Raymond; and Brier Tom; "Enablers and Inhibitors of Business-IT Alignment" CAIS, Volume 1 Article 11 March 1999.
[14] Luftman, Jerry; and Kempaiah, Rajkumar;" An Update on Business-IT Alignment: 'A Line' Has Been Drawn", MIS Quarterly Executive (6, 3) September 2007, PP. 165-175. Luftman, Jerry; Dorociak, John; Kempaiah, Rajkumar; and Rigoni, Eduardo; "Strategic Alignment Maturity: A Structural Equation Model Validation" (2008), AMCIS 2008 Proceedings. Paper 53, http://aisel.aisnet.org/amcis2008/53.

Since SAM focuses on the degree of strategic alignment practices, it might appear to be more operational than strategic. However, most of the practices in SAM focus on the elements that can essentially enable or inhibit strategic alignment between business and IT. Examples of these practices include: the role of IT in business strategic planning; a collaborative effort of IT and business to develop strategic initiatives; a mutual understanding of IT by the business and business by IT; and an acknowledgement of the impact that IT initiatives have on the success of the company. These strategic practices, among others, ensure better understanding, collaboration, and commitment by top management, especially when combined with an effective governance process. The strategic alignment maturity assessment was conducted by Guardian to benchmark the changes that have transpired since 2005, as well as identify opportunities for continuous improvement; the journey continues. The lessons learned should prove valuable to other organizations seeking to improve their IT business relationship.

APPENDIX: GUARDIAN LIFE INSURANCE COMPANY BACKGROUND

The Guardian Life Insurance Company of America (Guardian), one of the largest and oldest mutual life insurance companies in the United States, is known for its stability and strength. A Fortune 300 company, founded nearly 150 years ago, Guardian and its subsidiaries are committed to protecting individuals, business owners, and their employees with life, long term care, disability income, medical and dental insurance products, in addition to 401(k), annuities, and other financial products. Guardian operates one of the largest dental networks in the United States, and protects more than six million employees and their families at 120,000 companies. The company has more than 5,400 employees in the United States and a network of over 3,000 financial representatives in more than 80 agencies nationwide. Guardian is committed to maintaining high performing

organization through strong talent and enduring, time-tested values – we do the right thing, people count, and we hold ourselves to very high standards.

A series of surveys and interviews were conducted with both senior IT and business executives across various business units at Guardian for both 2005 and 2011. For 2005, there were 13 IT respondents ranging from IT Vice President/CIO of a specific Business Unit or a Corporate IT Unit to Assistant Vice President and Program Managers. The business counterparts for 2005 were comprised of 7 respondents ranging from CFO to SVP from the various business units. For 2011, there were a total of 22 IT respondents across all Guardian business units with the demographics similar to the 2005 IT respondents. The business counterparts for 2011 were comprised of 8 respondents with similar demographics as 2005 and it included the Guardian CEO.

About the Authors

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Dr. Luftman's experience combines the strengths of practitioner, consultant, and academic. His proficiency in business-IT alignment, eighteen books, published research, consulting, mentoring, and teaching/speaking engagements further exemplify Dr. Luftman's expertise and leadership in his field.

After a notable twenty-two year career with IBM, he had an exemplary career for almost twenty years as Distinguished Professor, and Founder and Associate Dean of the Stevens Institute Information Systems Programs; one of the largest in the world. Driven by the strong demand for a global executive education program focusing on managing information technology, Dr. Luftman has leveraged his experience as a CIO, IT management consultant, and leading academic, with his strong network of IT management associations, and prominent IT practitioners and academics, to provide a valuable and unique offering via Global Institute for IT Management.

Frank Wander

Frank Wander is the Senior VP and CIO of The Guardian Life Insurance Company of America. As the CIO, he is responsible for the delivery of technology-based services and solutions across the firm's retail and institutional divisions. He is a business-focused systems executive who has a broad array of leadership experience spanning Information Technology, Client Services, Operations and Management Consulting. Before joining Guardian, Mr. Wander was the CIO for the Harry Fox Agency, where he led the company's IT team in the turnaround of a failed technology transformation initiative. Prior to this, he

was the CIO of Prudential Institutional, a six billion dollar division that provided employee benefits services to over 28,000 corporations.

Mark Nathan

Mark Nathan is Director of Technology Strategy, Planning and Governance at Guardian Life Insurance. Mr. Nathan's team collaborates with IT Leadership to develop strategic initiatives that align with business objectives. In a planning capacity, Mr. Nathan's team manages the portfolio planning process to ensure that IT investment projects are aligned with strategic direction, and meet forecasted benefits. Lastly, Mr. Nathan manages the IT Governance model to ensure that proper controls are in place to manage risk across all IT disciplines.

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Harshil Sutaria is a student in the MBA Technology Management department of Stevens Institute of Technology. His academic interests include the various aspects of IT and business Alignment and some of the strategic innovations that have happened in this field. He is also working as a Senior Developer at Guardian Life Insurance Company supporting the Business Division of Guardian-Owned Broker Dealer Park Avenue Securities.

TEACHING NOTES

While the case begins 5 years ago with the initial SAM study identifying initiatives to enhance the IT business relationship, it would be good to critique the organization to identify what they could have done better. This should commence by first reviewing the major problems and opportunities and then assess the different alternatives that could have been considered. Addressing how you would have done it differently and why would provide valuable lessons.

Next would be to take the more current SAM assessment and review the major problems and opportunities identified, and then to discuss how they should/could be addressed. The following are the most important recommendations that Guardian considered, based on the latest SAM assessment.

1. Business Metrics: Guardian has a current score of 2.6, as compared to other Financial/Insurance companies with a score of 3.01 and all companies with a score of 3.04. Just as IT Metrics measure the success or evaluate a project, on a similar note, there should be business metrics that can evaluate the effect of a project to the business process. As an example, the number of steps in the business Process before and after the project or the time duration in completing a business Process before and after the project can be measured. Such business metrics need to be identified by a collaborative effort between IT and business. The frequency of measuring them should also be identified by the same team. To avoid discrepancies across Guardian, a single team should be picked to define and publish these across Guardian. Guardian is working to better quantify how the contribution of individual projects impact business metrics across a portfolio of initiatives and enhancements.

2. Balanced Metrics: With the current score at 2.6, as compared to other Financial/Insurance companies with a score of 2.86 and all companies with a score of 2.95, there is a need for linking IT and business metrics and making the standard readily available. As an example, a business user satisfaction survey analytic can be linked to the IT metrics of response time of the system. The same team that works on defining the business metrics should define the standard for linking the specific business metric to a specific IT metric. This should be standardized across Guardian. Need for a specific tool for measuring some of these metrics should also be evaluated and procured for achieving this.

3. Education/Cross Training: With a score of 1.91, as compared to other Financial/Insurance companies with a score of 2.74 and all companies with a score of 2.77, education and cross training programs needs to be established and facilitated for effective participation across both IT and business. With an early focus on managing operational risk, Guardian identified and eliminated single points of failure, and has highly skilled and experienced people in each role, with a clear back-up identified; this has limited the need for cross-training to date to keep the business running efficiently. However, to grow and transform IT, it is important that cross-training is introduced into the IT fabric. To address this challenge, a program called Talent 2020 was recently initiated, in partnership with Human Resources. The program is managed by a team comprised of HR, business and IT across various functional units and is identifying the list of such cross-trainings between IT and business. Imparting certain number of cross trainings during the year should be made one of the performance management objectives. Field Trips of various functional units for understanding their day-to-day operations possibly including Guardian Agencies should be organized. Guardian Intranet based Learning System should be leveraged for providing computer based cross trainings.

4. Career Cross Over: With a score of 2.21, as compared to other Financial/Insurance companies with a score of 2.67 and all companies with a score of 2.74, this has improved slightly over the past years. But largely, the opportunities for career cross over remain unknown unless being actively looked upon. A centralized repository of skill sets of all employees must be maintained. The HR department should work closely with both business and IT to facilitate communication of available opportunities across both organizations. Talent 2020 has a roadmap to increase IT talent across the board, and the framework for establishing career cross over is a key component of the program.

5. Change Readiness: Guardian scored at 2.68 as compared to other Financial/Insurance companies with a score of 2.91 and all companies with a score of 2.98. Changes in standards, processes and environments must be communicated ahead of time. An innovative idea providing value to the business should be encouraged by making it an objective for the year through performance management. All change is driven through collaborative planning processes, is agreed upon, and fully embraced by the business and IT. However, as larger transformational changes to IT are planned and executed, communication needs to be broadly disseminated to ensure that Guardian as a whole is ready to embrace the change.

KEYS TO GUARDIAN'S SUCCESS

1. What were the major hurdles - both planned and unexpected - that might have delayed the transformation?

Every transformation comes with a myriad of challenges, both financial and human. As expected, the human resource considerations/factors are the most difficult. There are

always leaders that are not well suited to the roles they are in, and typically they become passive resisters, with a small minority actively resisting in the background. The transformation at Guardian was no exception to the human drama that plays out every time a division's culture, leadership and strategy change. If not dealt with quickly and sensitively, the resistance leads to silos that produce low levels of social cohesion and weak collaboration, thereby undermining progress. These risks were identified, and dealt with, avoiding any significant damage.

Another factor that took time to gel was the new organizational design. Guardian migrated from a mix of centralized and decentralized units, to a full federation, with the divisional CIO's matrixed to both the corporate CIO and the business unit heads. This model was implemented to ensure that Guardian had true joint ownership over projects, financials, and outcomes. This took patience, and relationship building, but the organizational model was fully implemented, and was a major factor in the successes they achieved. It takes time and persistence to get to the end zone, but this was a real risk, and would have derailed the transformation if buy-in had not been achieved organization-wide.

The last item was managing expectations, and the financials. There was a lot of work that required new investment, and given the scale of the turnaround, there were a lot of unknowns that only became visible as we dug through the layers of past decisions, both good and bad. The analysis and deep understanding produce a lot of unplanned work, which has to be accommodated. Guardian was able to balance the workload and budgets by stabilizing the environment, which moved a lot of labor from run-the-business (maintenance and support) to grow the business (new investment in products and services), and then fully optimizing what they had, which freed up capital, and helped drive down our costs and chargebacks. So, Guardian was able to deliver a lot of value

without having to keep going to the well. This was a major strategy element that built our credibility in many ways, and moved the business partners from support to advocacy.

2. How were they overcome, and how did that change the planning process.

The prior question has addressed many of the answers to the challenges. But specifically regarding the planning process, this was a weak area of governance that required significant re-engineering, and was complex because of the matrixed reporting and shared services model that Guardian deployed to build efficiency and deepen collaboration. Initially, strategy, planning and demand management were very immature, yet they were a critical performance factor in the overall transformation. Much time and energy were put into these areas, with a multi-year strategy to move up the capability maturity model.

Key was the strong working relationship and trust across the key leaders. Under the new organizational structure, Guardian had five divisional CIO's, a CTO, a VP of Security, Audit and Risk, a VP of Infrastructure Service Delivery, and a head of business operations and a financial controller. Mission accomplished.

3. What unexpected opportunities occurred, and how were they leveraged to create digital opportunities for the company?

First of all, most individual life and disability insurance is sold, not purchased over the web. The same goes for the Retirement and Group insurance businesses, which are institutional. So the payoff was not based on building a big web presence, but rather improving the products and services, along with improved *ease of doing business* for the

external clients and sales. With improved planning, a reliable infrastructure, and on-time/on-budget delivery consistently in the 90's, the product portfolio improved significantly, as did sales. That said IT is just a piece of the puzzle, but it is recognized as an important one that contributed significantly to improved outcomes.

4. How did the planning process facilitate or hinder when these unexpected events occurred?

As noted above, you have to not only plan well, but execute well, or the plans are just pieces of paper. With a strong cross-functional planning process in place, Guardian did not have many significant surprises. That said, when they came up, the demand management enabled each issue to be dealt with. If you keep having surprises, you are doing something wrong.

LESSONS LEARNED

The following is a summary of the important general lessons learned from the 5 year transformation that occurred at Guardian Life Insurance Company. While some of these lessons might at first appear to be obvious, too many organizations continue have difficulty in deploying them and frequently require research such as this to provide illustrative evidence to convince key stakeholders, while others require performing assessments like SAM.

1. Federated IT organizational models tend to have a higher SAM assessment maturity score and are desirable in achieving a higher level of alignment between IT and business; albeit changing just the organizational structure is not sufficient.
2. The Federated IT organization at Guardian chose to adopt a phased methodology for their transformation, by embracing a “Stabilize, Optimize, and then Transform”

approach. This has proven highly effective because it is critical for IT to establish credibility and build relationships before undertaking the investment and heavy lifting associated with true business modernization. By stabilizing IT, resources were freed up to work on productive activities, instead of fighting fires and fixing defects in production. These activities helped build a deeply collaborative work environment which is the only foundation upon which true innovation can occur.

3. Know Your Numbers: For IT to be most effective, it is critical that financial analytics are understood and managed at both departmental and line item granularity. This is more complex in a Federated organization.
4. Trust drives open and meaningful collaboration, and allows for mistakes to be accepted as long as they are not repeated and systemic. By building a culture of trust, lines of communication between business and IT, and across IT, are fully opened, ensuring the right work is being done at the right time.
5. IT Governance is not just a set of shared processes, but an important control mechanism that defines how decisions get made and how their deployment gets assessed. In a federated IT model, governance is shared across multiple IT groups; hence, in addition to focusing on strategic, tactical, and operational considerations they must be integrated the respective organizational model to keep all areas of IT and the business in harmony.
6. Regular structured meetings between business and IT stakeholders (at different levels) foster knowledge sharing, and are more complex with a federated model.
7. Chargeback from IT to business must be streamlined and transparent for establishing trust between business and IT.
8. Processes that increase collaboration and teamwork between IT and business, and across IT should be standardized and put in place with support from senior management.

9. Motivating employees by recognizing successful initiatives for continuous improvement programs is as important as introducing these programs.
10. Participation is the key to effective change management and allows for a smooth transition to the change being i implemented.
11. As IT collaborates more closely with business on the shared goals (successful completion of project), the perception of the IT value keeps on increasing.
12. Metrics should be defined, readily available, and incorporated into operational processes.
13. IT investment decisions should be made after thoroughly analyzing the business effectiveness and efficiency contribution.
14. All six components of SAM must be addressed. Addressing just one component (or a subset) will not lead to more mature alignment.
15. Last but not the least, alignment between business and IT is a continuous journey and must be assessed and acted upon on a regular/periodic basis.