



Measure Your Business-IT Alignment

The longstanding business-IT gap can be bridged with an assessment tool to rate your efforts By Jerry Luftman

EXECUTIVE SUMMARY The first step in aligning IT and business priorities is to understand where relationships break down and expectations differ. A tool based on the Capability Maturity Model developed by Carnegie Mellon's Software Engineering Institute can help you assess how well-integrated IT is with the company's goals. Spotting divergent viewpoints presents an opportunity for improvement. See how your company stacks up.

IT'S THE PROJECT FROM HELL. The developers are sullen; the marketing folks are panicked; the executive sponsor doesn't seem solidly behind the project; and the **business** champions—trying desperately to facilitate communications and reduce chaos—feel like they're bailing out the Titanic with a teaspoon. We've all been there and wondered what went wrong. Often, the problem stems from a lack of **IT-business** alignment.

Alignment remains a perennial **business** priority. It's the standard problem of how to get technical and **business** folks to see things the same way. Why? Educating line management on technology's possibilities and limitations is hard; so is setting **IT** priorities for projects, developing skills, and integrating systems with corporate strategy. It's even tougher to keep **business** and **IT** in synch as each evolves.

A decade of research has found that the key is building the right relationships and processes, and providing necessary training. A new tool,

modeled after the well-known Capability Maturity Model (CMM) developed by Carnegie Mellon's Software Engineering Institute, can help you assess whether your company is on the path to alignment. Developers, businesspeople, and end users often have competing and even incompatible needs, but balance can be achieved with this method.

In business-IT alignment, IT is applied in an appropriate and timely way, in harmony and collaboration with business needs, goals, and strategies. Terms such as "harmony," "linkage," "fusion," "fit," "match," and "integration" are often used synonymously with the term "alignment."

For the past 15 years, academics, consultants, and research organizations have identified the lack of alignment between IT and business strategies as a pervasive problem and have tried to fix it. The most recent study, conducted by the Society for Information Management (SIM), again identified IT-business alignment as the No. 1 management concern among all groups surveyed, which included 300 senior IT managers. IT strategic planning ranked second in the survey, while security and privacy ranked third (see chart, this page). The results indicate how intimately technology has been integrated into the fabric of enterprises.

Alignment is a central concern for IT professionals who often find themselves in the role of mediator and facilitator among competing interests. This idea of alignment between business and IT is the focus of my book, *Competing in the Information Age: Align in the Sand* (Oxford University Press, 2003). What follows is a methodology for assessing your company's alignment status. The CMM model it's patterned after has proven to be a powerful tool for managing development projects; however, until now, it focused on tech-

nology, rather than strategic business practices.

This alignment-assessment tool was successfully tested at more than 60 Global 2000 companies and is the subject of a benchmarking study jointly sponsored by SIM and The Conference Board. It has been applied in large and small companies, at all levels. The alignment model lets you measure how well the technical and business organizations work together, or it can be used to assess alignment within the IT department itself. It examines six dimensions, rating each on a scale of 1 (lowest) to 5 (highest).

The six dimensions

- **Communications maturity:** How well do the technical and business folks understand each other? Do they connect easily and frequently? Does your company communicate effectively with consultants, vendors, and partners? Does it disseminate organizational learning internally?

Over the past 40 years, most companies have used computing technology to improve operations. Now and in the future, technology will be used to innovate businesses, products, and services. For example, many of today's innovative companies are using IT to differentiate their products and services or to fill a market niche.

An example is Progressive Insurance, which has used technology and data mining to track new Harley-Davidson registrations. While most insurance companies consider motorcyclists risky to insure, Progressive realized that Harley owners represent a unique market niche. The typical Harley owner is more than 40 years old, earns a good income, and rides the motorcycle for recreational purposes only. Since Harley riders don't pose the same insurance risks as other motorcyclists, the company offers attractive insurance rates to Harley riders whom it can then upsell with other insurance policies.

- **Competency/value-measurement maturity:** How well does your company measure its own performance and the value of its projects? After projects are completed, do you evaluate what went right and what went wrong? Do you improve your internal processes so the next project will be better?

Setting priorities for IT projects and effectively allocating resources to align IT and business strategies have become fundamental aspects of corporate success. IT and business managers should share in the evaluation of the company's project portfolio. It's important to recognize that the ultimate value of projects won't come from the technology alone.

Top-10 Concerns

A survey of 300 CEOs, CIOs, and other enterprise managers reveals that business and IT alignment tops the list of management concerns.

<ol style="list-style-type: none"> 1) IT and business alignment 2) IT strategic planning 3) Security and privacy 4) Attracting, developing, and retaining IT professionals 5) Measuring the value of IT investments 	<ol style="list-style-type: none"> 6) Measuring the performance of the IT organization 7) Speed and agility 8) Creating an information architecture 9) Reducing complexity 10) Reengineering business processes
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DATA: SOCIETY FOR INFORMATION MANAGEMENT

• **Governance maturity:** This dimension deals with how well the company connects its business strategy to IT priorities, technical planning, and budgeting. Do the projects you undertake flow from an understanding of the business strategy? Do they support that strategy? If not, there may be conflict between the technical and business organizations. Simply put, IT governance is about who makes the decisions (power), why they make them (alignment), and how they make them (decision process).

Ideally, business and IT management make these decisions jointly. Underlying the principles of IT governance is the theme of effective and efficient communications between IT and business. This is critical, but hasn't always been put into practice. For example, IT managers often launch initiatives on their own to enable business processes because of a perceived lack of interest on the part of business management. The unfortunate result of many of these IT-sponsored initiatives, such as CRM, document-management systems, E-commerce, ERP, and supply-chain management, is that they fail to generate the best possible return on the company's overall IT investment.

The common theme of these disconnects between business and IT is governance—or the lack of it—and how that affects the company's ability to make informed decisions about the direction and use of IT. This type of disconnect exists most frequently when the company's IT governance isn't clearly defined or is under political threat by internal constituencies.

• **Partnership maturity:** To what extent have business and IT departments forged true partnerships based on mutual trust and sharing risks and rewards?

It's not enough to have excellent IT strategies and implementation plans on paper. CIOs must convince peer executives of the corporate value of their strategies. Some CIOs are very influential, and several factors contribute to this: CIOs should have an intimate knowledge of the business and industry they're working in, thereby improving their interactions with business executives, and they should have personal relationships with the other executives in their companies.

• **Scope and architecture maturity:** To what extent has technology evolved to become more than just business support? How has it helped the business to grow, compete, and profit?

This concept is critical as corporations grow and the need for integration across the enterprise and its external partners increases. Integration is a business need, and the technology mechanisms won't help without the proper organizational structures, goals, and incentives. Business processes are the vital link between the technical and organizational infrastructures of a company.

• **Skills maturity:** Does the staff have the skills needed to be effective? How well does the technical staff understand business drivers and speak the language of business? How well does the business

To motivate an IT worker, consider high-growth and low social needs

staff understand relevant technology concepts?

IT is becoming less expensive, while IT labor is becoming more expensive, especially as a portion of the total IT budget. But if IT is to rise to the challenge of being an enabler—and, indeed, a shaper—of overall business strategy, the role of skilled IT professionals becomes even more critical than in the past.

Managing and motivating IT professionals requires special attention to their unique characteristics. Research shows they differ from other professionals, and those differences present challenges and opportunities for IT management. High growth needs and low social needs, among others, must be accounted for in motivating an IT workforce.

To conduct an assessment of your company, the first step is to assemble a team of IT and business representatives to perform the assessment. For a single business unit, a team of 10 to 12 people would be typical. You would use fewer for a single department and more for a larger business unit. The team is responsible for assessing each of the six dimensions described above using a 1 to 5 scale, where:

1 = Doesn't fit the company, or the company is very ineffective

2 = Low level of fit for the company

3 = Moderate fit for the company, or the company is moderately effective

For a sample of the alignment model, go to www.optimizemag.com/issue/026/management_olchart.htm.

4 = Fits most of the company

5 = Strong level of fit throughout the company, or the company is very effective

It's important to have both business and technical people participate in evaluating each of the six dimensions. The goal is to come to an agreement on the level assigned. This may not be easy because the initial review will typically produce divergent results. When you find such divergence, you've identified a problem and an opportunity to improve the situation.

A trained facilitator may be valuable in keeping the discussion focused and honest. The team can use the information gleaned through the assessment process to create a plan for moving from the current level of alignment to the next level of maturity.

Experience shows that no single activity will enable a company to attain and sustain alignment. There are too many variables, and the technology and business

environments are too dynamic. The strategic-alignment maturity assessment provides a vehicle to evaluate where a company is and where it needs to go to achieve and build business-IT alignment. The careful assessment of a company's alignment maturity is an important step in identifying the specific actions necessary to ensure that IT is used appropriately. The journey continues. The time frame depends on you. ○

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THE 90-DAY PLAN



While there's no one answer that will ensure IT-business alignment, executives can take a number of steps to begin the process of assessing their needs. Keep in mind, alignment is as precarious as drawing a line in the sand, but achieving it is possible.

ACTION ITEMS

COMPLETE

FIRST MONTH: Form an assessment team

- Assemble a team of IT and business representatives to perform the assessment.
- Make certain the team has a clear understanding of the process and goal of the assessment.
- The size of the team is determined by the number of business units involved and should be large enough to do a meaningful assessment.

SECOND MONTH: Gather information and decide individual scores

- Have the team members assess each of the alignment dimensions to determine the company's level of performance in each.
- This can be done in a facilitated group setting or by having team members complete a survey and then meet to discuss the results.
- The team should agree on a score for each practice. The most valuable part of the assessment isn't the score, but understanding its implications for the company and what improvements need to be made.

THIRD MONTH: Assign an overall score and plan improvements

- After determining the composite score, have the group reach consensus on what level to assign the company as a whole. You can accomplish this by simply averaging the individual scores, but a dialogue among participants is more valuable. You may decide to weight some scores more heavily than others, depending on the company's priorities.
- The overall score can be used to compare your company with others. Global companies that have used this tool for the first time generally have rated their companies as a 2, with some alignment practices rated at 3.
- Pinpoint improvements that can help boost the company to the next level of alignment.