

Guidelines

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FOR IT MANAGEMENT

Aligning IT with Business Strategy

The Author

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1. INTRODUCTION

1.1 Scope of this document

This Guideline is focused entirely on the alignment of the Information Technology function with Business Strategy, that is, how IT can be positioned to support organisational goals and business objectives. It does not attempt to cover the creation of an IT Strategy *per se*. However, notwithstanding the declared scope of the document, what follows will be extremely useful to all aspects of the strategic planning processes.

1.2 Who should read this Guideline?

This Guideline is aimed at IT directors, IT managers, and other executives who need to take decisions about the general direction of IT strategy and/or business strategy.

1.3 Why IT must align with Business Strategy

Information Technology has become a key business function for almost every organisation and most, have great expectations of their investment in IT for the future benefits to the business – expectations that will enable the business to:

- Reduce costs;
- Standardise processes;
- Enhance productivity;
- Improve workflow and communications;
- Sustain repeatable service levels;
- Improve Risk control mechanisms;
- Implement new business strategies;
- Facilitate organic and acquisition-driven growth;
- Gain competitive advantage by exploiting new technology.

And yet, until fairly recently, the traditional role reserved for IT has been fairly subservient in business planning. IT has been merely an implementation tool, not intrinsically involved in shaping strategy. Now though, as more and more new business opportunities and channels to market are created by technology developments, IT plays an increasingly pro-active role in developing our long-term business strategy. So we need to ensure that our IT and business strategy functions are completely synchronised towards common business-oriented goals.

The principal difficulty, however is that there are very few instances of business-oriented IT strategies, most are completely technology-centric and focused purely on technology products, of one shape or another. This makes it all the more challenging to align the IT and business strategies – because we are constantly comparing apples with oranges.

This strategic divergence is not only hugely frustrating but also extremely counter-productive; generally resulting in the legacy of overly complex IT infrastructures that struggle to sustain the overlying business operations and are difficult to modify.

All too often this is because IT strategy is bolted onto the business, more or less as an afterthought, rather than forming the corporate skeleton and central nervous system of the organisation.

What can we do to improve this situation? The answer must be to undertake a radical overhaul to our approach, i.e. to start doing things differently.

We have to move on from the old world thinking of retro-fitting business functionality into an IT strategy, towards a business-focused approach where we address the following fundamental questions:

- What do we need for the future?
- What have we got now?
- How do we change things to make our visions reality?
- How do we make sure that our IT remains relevant to an evolving business?

Despite the growing trend towards service homogenisation and the widespread adoption of packaged software, there are still real opportunities for IT to make a difference. But the IT contribution is less likely to take the form of the ‘killer’ application that gives specific competitive advantage – it is far more likely that the principal benefit will be derived from having robust, but adaptable, technology throughout the organisation, thus facilitating an agile business strategy.

So there it is – a tremendous challenge at the best of times and especially when that ‘oh-so-important’ strategy is perceptible only in the mind of the beholder and not committed to paper in any great detail.

But, if our strategy is not clearly visible – how can we ever hope to align anything with it, let alone the IT function? The answer is that we must move beyond the conceptual level of most strategic thinking, towards a practical, physical expression of the alignment process.

Quite simply, we need a tangible alignment plan that will help us to realise our ambition of complete harmony between our IT and business strategy.

These Guidelines illustrate how to formulate such a plan and how to manage the alignment process.

2. THE ALIGNMENT PROCESS

2.1 Understand the business

Identify and document all of your business processes, both formal and informal

The IT function in every business is about capturing, processing, storing and distributing information or data, it naturally follows therefore that the first principle of aligning IT with the business, is a crystal clear understanding of the business itself – without such a view, it is impossible to successfully achieve the desired outcome.

A good starting point is to consider the multi-tier nature of your organisation and how it fits into the rest of the business world. Typically the levels will follow a ladder pattern:

- Economy
- Sector
- Corporate
- Business Unit
- Department
- Team
- Individual

Many people already have a strong handle on the view down the ladder from the Corporate rung. However, the Economy and Sector perspectives are extremely important, because they always exert very strong influences that directly affect the stratagems/operations of our businesses. We address these macrocosmic issues later, in Section 2.5.

The next step is to start mapping out the corporate model so that we can determine exactly what our organisation does – and, more importantly, how we do it. If you are fortunate, your business may have already embraced the need for such a model and have adequate information about the true nature of your business.

The key factors we need documented at this stage are:

- Organisation Charts
- Roles and Responsibilities
- Formal processes
- Informal processes
- Markets

- Products
- Key customers
- Key suppliers
- Key business partners

All of this information helps us to build a useful interpretation of what makes our business tick now, not necessarily what will keep it ticking in the future – we will consider that later, in Section 2.6. At the moment we need to focus on making sure that we understand where we stand today, before we can begin planning seriously for the future.

2.2 Acknowledge the culture

Analyse the structure, ethos and nature of your organisation

The most frequently overlooked aspect of Information Technology strategy definition is the cultural analysis of the organisation, i.e. understanding the way we do things – not just what we produce. This oversight is surprising when you consider that the ‘culture’ of the business always has a very strong bearing on the successful application of technology.

Quite simply, we need to match the nature of our systems to the nature of our business. If we do not make this connection properly, we will always struggle to achieve optimum performance from our IT investments. It is well worth examining the culture of your organisation, or rather the sub-cultures* of your organisation and considering the appropriate IT culture for each business sub-culture:

- Simple structure – direct, two-way information flows between operational staff and top-level management;
- Management by exception – problems are escalated up the hierarchy only until the appropriate level of authority is reached;
- Professional bureaucracy – standards and operational procedures are determined by external professional bodies;
- Project team – organic teams, matrix management, formal and informal liaison between teams and members.

**No organisation is unlikely to be mono-culture – much more likely to be poly-culture – which means that you have to understand the sub-culture types and their incidence within your business so that you can tailor your IT systems and services accordingly. If necessary map all this out – so that you understand the rationale yourself and so that you can communicate your understanding to others*

2.3 Know the IT estate

Identify and document all IT assets, applications and delivery channels

With a reasonable understanding of the nature and culture of our business, we are almost ready to begin aligning the IT function with Business Strategy. But before we can do that we must formally document the various components within the IT estate and understand precisely how they are aggregated into our service offerings.

We need to know:

- Exactly how many assets we have;
- Their technical attributes: version, functionality etc.;
- Who creates/ transforms/ configures them;
- Their life expectancy/ replenishment model;
- How they are distributed;
- Who uses them;
- Who owns them;
- Who supports them;

- Who manages them;
- How much they cost to buy/ build/ operate;
- Who pays for them.

Most organisations maintain an IT Asset Register that typically accounts formally for the following item categories:

- Hardware
- Operating Systems
- Shrink-wrap Software Applications
- Line of Business Applications

However, the IT estate cannot begin to function without the addition of several other equally important, but perhaps less obvious items – not generally included in the Asset Register – such as:

- Manpower
- Skills
- Processes
- Security precautions
- Service definitions
- Service Level Agreements
- Network bandwidth

We need to account for the entire IT estate and to formally document the inter-dependencies between the components and services. The best way of doing this is by building a Service Management Framework and Cost To Serve model that clearly expresses the nature of the IT services and how they are derived.

Even in situations where costs are not directly re-charged to the Business Units, it is essential that we understand what is really driving our IT function and the nature of our scaling factors. Any weakness in this area will undoubtedly have a direct detrimental effect on the accuracy and validity of our business planning processes.

2.4 Discover the value chains

Identify and document the relationships/touch-points between the business and the IT estate

Every business consists of various value chains, each of which aggregates a number of inputs, transforms them to add value and then produces an output – which may be either a product, or an input for yet another value chain. The main point to consider is that such value chains are found in every type of organisation, not only in businesses that manufacture tangible products or services – a value chain exists wherever inputs are transformed into outputs.

Understanding these value chains is of paramount importance when planning to align the IT function with business strategy, because these generally represent the relationships and the touch-points between the business functions and the IT estate. For example, here is a very simple ‘Customer Order Process’ value chain:

- Order Entry
- Picking
- Despatch
- Invoicing
- Receive Payment

Each link in such a value chain may depend on the execution of several software and physical transactions as the customer order is processed. At each stage, input contributions from a number of sources/ providers are aggregated into an output – adding value and, usually, cost.

By analysing the constitution of our value chains we discover what is really driving our business/IT activity and we can identify the key scaling factors that are absolutely crucial to effective strategic planning and alignment. We do this by establishing a documented relationship between the business activities and the underpinning IT activities/ resources that are aggregated within each value chain.

Without such clarity of ‘cause and effect’, there is a danger that both our business strategies and our IT planning will be fatally flawed. Whereas, with solid value chain definitions we can have true confidence in our knowledge of how our organisation hangs together and operates.

2.5 Interpret the context

Gather and collate intelligence about influential factors, internal and external

So far we have concentrated on making sure that we know as much as possible about the nature and structure of our business and the IT functions. We are almost ready to begin planning for the future – almost, but not quite. Before we finally get down to the serious planning, we need to interpret the future context in which our organisation must operate. In other words, we need to know what pressures will shape and influence our business; perhaps imposing change upon us when we least welcome it.

To know the future context, we must gather intelligence from a number of sources, both internal and external, analyse the raw information and determine how any consequent change may affect our existing business functions, culture, IT estate and value chains.

2.5.1 Internal Influences

The internal Influential Factors will include:

- Corporate plans;
- Business unit plans;
- Infrastructure refresh/ renewal programmes;
- Preventative/ routine maintenance programmes.

All of the internal influences are, or should be, under the direct control of the business itself and so should be the easiest to resolve, subject to commercial confidentiality, of course.

2.5.2 External Influences

On the other hand, the external Influential Factors are rather more diverse and difficult to capture than their internal counterparts. Nevertheless, they must be identified, analysed and documented with equal, if not greater, rigour as the external influences can cause serious disruption, or worse, to a business, if not properly handled.

The external Influential Factors will include:

- Legislation (International, National, Regional, Local);
- Industry/ Professional Regulation;
- Economic trends;
- Customer trends;
- Supplier/ Provider trends;
- Availability of skills.

Each of these categories represents a broad range of interests and influences, every one of which will impact our thinking – on a continuous basis, from both a business and a technology perspective.

We need to keep abreast of the key elements in each category and make sure that we remain aware of relevant changes that will affect us, especially changes in legislation and regulation. Likewise, our

technology vendors are managing their own product development/ life cycle strategies and they may arbitrarily declare 'sunset dates' for key components – forcing us to reconsider our strategic options – especially if their newly declared sunset dates do not fit our planned investment pattern.

By their very nature, the external influences are generally beyond our control and impose the greatest burden of unwanted change upon organisations so we have to commit an adequate level of time and resources into maintaining an effective corporate 'radar' to give us early warning of impending change.

At first sight, it may appear to be a daunting task to gather, collate and analyse the necessary intelligence for the future operating context. However, it becomes easier if we break down the problem into some biteable chunks and organise the chunks within a context framework.

A fairly straightforward way of setting up such a framework is to take the bullet points listed above and to use them as section headings for a quarterly Context report. This sort of briefing document/ situation synopsis gives us an extremely useful vehicle for recording, and sharing with others, our awareness of the prevailing/ future active influences on our business.

Useful as it may be for documenting incoming change, a quarterly Context report is not a long-term planning tool, as it would soon become extremely unwieldy, if we tried to maintain it as an ongoing reference for all future influences. The value of the quarterly Context report is merely to provide a 'heads-up' summary of what's new on the planning horizon.

One of the most important aspects of Context analysis is formulating a timely response to known forthcoming events, indeed it might be the most important aspect because some dates are set in concrete – for example compliance with legislation or regulatory bodies and if we don't meet such deadlines, we may incur financial/ legal penalties, or even more serious sanctions. This is where we need a Change Agenda to act as a mechanism for mapping the time-line of potential change.

2.6 Determine the Change Agenda

Analyse the context, the business strategy and influential factors, identify impacts and implications for the IT estate

The Change Agenda consists of parallel paths. At the highest level, these can be expressed under the following headings:

- Legislation;
- Regulation;
- Corporate Policy;
- Business Initiatives;
- Technology Initiatives;
- Infrastructure Initiatives*;
- Customer-driven change;
- Vendor-driven change.

** Some people contend that there is no such thing as a purely IT project and try to cost justify everything as having real business benefit. However, there are three types of pure IT projects that don't fit such an argument: Data re-engineering, Infrastructure renewal, Infrastructure rationalisation. For sure, these may deliver a benefit – but only if they can be translated into reduced headcount or lower operating costs.*

Successfully balancing the sometimes disparate needs of the various Change Agenda paths is the core feature of IT and business strategy alignment – and the bread and butter role of IT management. We must always strive to ensure that our Information Technology will support our business as it evolves.

To do this, we need to have regular bi-lateral exchanges of information with effective communication between the IT department and the other business units. Each party needs to know the other's intentions, in good time, preferably before a definite commitment is made to a change of direction.

The corporate Change Agenda is the common ground for communication and discussion, as well as the basis for strategic planning.

The IT function can nurture the well-being of the Change Agenda by providing regular Technology Briefings for the other business units, outlining the technology context and pressures for change; while the rest of the business can do their part by giving regular Business Briefings to the IT department. By sharing our Change Agenda with each other, we can determine the optimum alignment cycles for the business and IT functions.

Of course, to do this we all need to understand fully the implications of change on our IT estate and value chains. This information is vital to both business and IT planning as it directly affects the cost of change and the future financial baseline. So we must be able to establish a direct relationship between Change Agenda items and their impact on IT operations, which is why we need the depth of supporting information specified earlier in these Guidelines.

2.6.1 The impact of Change

To assess the impact of a change, we should consider very carefully the likely effects of the change on the following IT functions/ attributes/ sub strategies:

- Service Delivery;
- Security;
- Business Development;
- Investment;
- Technology;
- Sourcing;
- Procurement;
- Risk;
- Compliance;
- Content Management;
- Storage;
- Capacity Planning;
- Skills Profile.

A disciplined and comprehensive approach to change assessment will not only flush out the true financial implications and operational consequences but will also help to formulate the relative priorities and benefits of potential changes. A really sophisticated change assessment model will also facilitate scenario modelling so that the planners can perform their ‘what if...’ analysis in a controlled environment, to determine the best way forward, after exploring the possible avenues.

2.6.2 Setting the Agenda

The next important step following change/impact assessment is to strike an appropriate balance between cost, value and priority – in other words to set the change agenda, according to the likely commercial constraints and the investment cycle.

Of course, setting the Change Agenda is not a one-time exercise – it is a continuous, cyclical process, whereby we repeatedly:

- Identify requirements;
- Prioritise time-scales – Immediate, Urgent, Routine;
- Prioritise functionality – must have, should have, would like;
- Model the proposed changes;
- Test the model and refine;

- Agree the changes to be made;
- Perform gap analysis between the 'as-is' and 'to-be' situations;
- Plan the change programme(s);
- Implement the programme(s);
- Operate;
- Review;
- Maintain;
- Replace.

The Change Agenda is a living document that defines our options for change, giving us a framework for decision-making and goal setting; what it cannot do, though, is to spell out the details of the journey – for that we need a roadmap.

2.7 Chart the Technology Roadmap

Prioritise, time-line and optimise the change agenda

The corporate Change Agenda outlines the nature of the changes that must be applied to the business processes and the IT estate. The Technology Roadmap takes us a step further by describing in detail, how the relevant technology changes will be implemented, with respect to individual systems, time-scales and priorities.

The reason we need a Technology Roadmap, rather than working directly from the Change Agenda, is because the systems-centric view of the organisation will always be quite different from the business-centric view.

By mapping out the consequences of every business Change Agenda initiative, we can identify where it touches the technology and plan accordingly. Very often this discipline will reveal not only potential conflicts of interest/ resource contentions but also some synergistic 'windfall' dividends – where effort, time and money can be saved through a co-ordinated work programme.

Business processes share information technology resources in a complex matrix relationship and each Change Agenda item is therefore likely to spawn many activities on the Technology Roadmap, or rather roadmaps – because every single IT resource has its own individual roadmap defining all of the planned events for that resource, such as:

- Modification/ updates;
- Routine maintenance/ downtime;
- Retirement/ replacement.

Updating the Technology Roadmaps will involve careful negotiation with asset owners and business process owners to accommodate the proposed changes. To avoid disrupting the routine business operations, we will also have to balance the interests of the various business users, their representatives, change agents and 'gatekeepers'.

2.7.1 Alignment Cycles

Because there are so many intertwined and inter-dependent Technology Roadmaps, you will usually find that the major elements have well-established cycles – limited periods when change is permitted. In such circumstances we must be prepared to adjust our Change Agenda schedules and Technology Roadmap changes to accommodate proper alignment with the resource cycle.

For example, if our mainframe computer is scheduled for a total shutdown twice a year and we need to test a new uninterruptible power supply for the mainframe, then we will have to schedule the UPS testing to coincide with one of the regular, planned, downtimes for the mainframe. Likewise, it is pointless trying to schedule a major software update for a server for the last weekend of a month, if that is when the machine is at its busiest. Such forces majeure are quite common in the IT calendar and yet they are not always properly expressed, or considered, when scheduling crucial business changes – causing serious alignment difficulties between the IT function and the business.

Attention to the regular resource cycles, when fine-tuning the Technology Roadmaps, is a critical success factor for effective planning. But it is not just our IT resources that have regular cycles – so do our business units. Our next step in the alignment process is to factor in the necessary business unit considerations.

2.8 Plan the work programme

Translate the Technology Roadmap into business unit plans

Business units need to move at different speeds – perhaps due to reasons of commercial, economic or geographic constraints so each business unit within an organisation should have its own, dedicated, IT programme of work, showing when, where and why activity will be taking place. This view not only helps the departments/ teams to see how they will be involved/ affected by change but it also helps them to make a stronger connection between their business activities and the underlying technology services. It is quite likely that the operational ownership of each system is already in the hands of the primary business customer of that system so, by extending that principle, it is a natural progression to nominate customers as business ‘owners’ of all other IT services delivered to their business unit.

The easiest way to do this is to start with a Service Delivery Matrix, showing the take-up of services across the Business Units:

	Business Unit A	Business Unit B	Business Unit C	Business Unit D
Service A	X	X	X	X
Service B	X		X	
Service C		X	X	X
Service D	X	X	X	
Service E		X		X

Supplement this with a hierarchy of Service Component Charts, drilling down from the highest to the lowest level:

	Service A	Service B	Service C	Service D
Component A	X	X	X	X
Component B	X		X	
Component C		X	X	X
Component D	X	X	X	
Component E		X		X

If we then associate business owners and IT owners with our charts we are on our way to developing a management framework that can facilitate discussions and negotiations between the IT function and the Business Unit, i.e. a planning tool for writing the Business Unit IT Plan.

It is important to have these views of the ‘business-as-usual’ situation for each significant department, or team, because these are the very systems and services that will be affected by the Change Agenda items and the Technology Roadmap:

Service Road-map	Business Unit A	Business Unit B	Business Unit C	Business Unit D
Service A	X	X	X	X
Quarter 1	Event A		Event A	Event A
Quarter 2	Event B	Event A	Event B	Event B
Quarter 3	Event C	Event B	Event C	Event C
Quarter 4		Event C		

Component Road-Map	Business Unit A	Business Unit B	Business Unit C	Business Unit D
Component A	X	X	X	X
Quarter 1	Event A	Event A	Event A	Event A
Quarter 2				
Quarter 3	Event B	Event B	Event B	Event B
Quarter 4	Event C	Event C	Event C	Event C

As you can see, we can create individual Business Unit IT plans and scope the necessary work to achieve each plan. By aggregating these plans into an overall Delivery Framework, we have an absolute picture of the ongoing demand for IT resources and the fundamental basis for aligning the IT function with the Business Plans.

2.9 Populate the Delivery Framework

Resource the programme

The delivery framework is the overall programme of work for the delivery of Information Technology, in support of all business operations. The framework includes not only items associated with specific development projects and programmes but also the daily routine operations, i.e. the business-as-usual activities. It is absolutely vital to be able to see the entire picture because otherwise it is impossible to understand the real implications of deviating from plans, or deciding how best to meet changing circumstances.

However, it is not necessary to fully integrate plans, beyond inherent dependencies, as this can create unnecessary complexity and confusion. What is essential though is a comprehensive, resource-driven, capacity planning work-scheduling tool that underpins the entire delivery framework.

2.9.1 Capacity Planning

Every IT department, regardless of size, has a fundamental capacity for work, based on factors such as:

- Manpower;
- Skills Profile;
- Processing Power;
- Storage;
- Bandwidth;
- Software Licenses.

The internal capability may be supplemented with external capability, acquired from other providers – either permanently, or on an *ad hoc* basis to fulfil particular tasks. Whatever the source, these factors represent the basic raw materials of IT delivery.

Our notional capacity for work is a direct function of the materials and time available. Thus, if we have 5 Database Administrators and there are 21 working days in a particular month, our notional capacity for database administration that month would be 105 days.

Our notional capacity, however, is always qualified by deducting any non-productive time such as:

- Training courses;
- Holidays (individual and statutory);
- Other planned absence;
- Unplanned absence (such as illness).

Then, we must finally deduct from the net notional capacity, any existing liabilities, such as:

- Business-as-usual support;
- Prior commitments and assignments to development tasks.

This process gives us our true ‘free’ capacity and it should be continually performed for every IT resource, including staff and non-human elements.

2.9.2 Commitment

Armed with a realistic awareness of the actual capacity for work, the IT department will be in a stronger position to undertake further commitments, in support of the business strategy.

The prioritised Business Unit plans, prepared earlier, constitute the current level of demand for development work and the capacity plan constitutes the current availability of resources to meet the demand.

The next step in the alignment process is to commit resources to the demand plans, in accordance with the established priorities and desired time-scales. In other words, we make a commitment to deliver the work schedule and update our capacity plan to reflect the new level of liabilities we have accepted. When applying the new workload to the existing schedules, it will often be necessary to evaluate relative priorities and decide how to cope with issues of resource contention. If a task cannot be completed within the desired time-scale, given the resources currently available, then there may be some difficult decisions and urgent negotiation between customers, planners and resource managers – but the golden rule is never to over-commit beyond actual capacity to deliver. If there are insufficient resources, or time available within the capacity horizon, either the task must be re-formulated, or the resource pattern altered.

2.9.3 Benefits of this approach

The benefits of such a formal approach to capacity planning are manifold, if rigorously maintained. That is not to say that plans become set in concrete and are sacrosanct from subsequent alterations. What it does mean, however, is that the impact of changing circumstances can be properly assessed and considered action taken. The net results will be that the tendency to over-commit resources is avoided, resource forecasting is improved and fewer customers are disappointed.

2.10 Achieve the Business Benefit

Implement the delivery framework

So far, these Guidelines have set out some basic rules of engagement and operating principles, intended to achieve satisfactory alignment between the IT function and Business Strategy. They say that the proof of the pudding is in the eating – so the ultimate test of our approach to IT alignment will be to see how well we deliver the promises made to our business customers.

Given that we know the following:

- How our business works;
- Our strategic goals;

- The resources available to us;
- The operating context;
- The technology road-map;
- The business unit work plans;
- Our commitments to customers.

Our principal tasks now are:

- To manage the delivery framework;
- To manage the relationships with our customers and providers;
- Measure the success of our activity.

2.10.1 Managing the Delivery Framework

The real value of planning derives not only from accurate forecasting but also from the ability to manage changing circumstances. If everything always went exactly as planned, we wouldn't need so many managers. But things do not always go as planned, especially when we are dealing with IT; there will always be some factors beyond our control and we will have to deal with them, as best we can – if necessary by changing our plans on the fly.

However, that makes it even more important to exercise due control over our resources, to make sure that we optimise our chances of successful delivery. We can best do this by:

- Not making promises we know that we can't deliver;
- Recognising and observing the relative priorities of the work in progress, to ensure that we always allocate our resources to the most valuable task;
- Carrying out impact assessments whenever the delivery framework is challenged;
- Not releasing resources from an agreed, scheduled task until a 'release' has been obtained from the current 'owner' of the resources;

Following these very simple ground rules will take us a long way towards successful management of the delivery framework.

2.10.2 Managing Relationships with Customers and Providers

Certain aspects of our ability to deliver business benefit depend on the active participation and co-operation of our customers. These include:

- Responsible sponsorship/ ownership of business initiatives;
- Involvement in development/ specification of requirements;
- Acceptance testing;
- Confirmation of delivery into production;
- Realisation of business results.

Similarly, we are increasingly dependent on third-party providers to fulfil our obligations. Their responsibilities may include:

- Turn-key delivery of a project/ programme;
- Strategic or tactical consultancy;
- Delivery of primary or secondary components;
- Specialist skills and resources.

For successful fulfilment, throughout the value chain, we need very strong elements of trust between all parties and effective relationship management at every point of contact. Openness and

a commitment to honour promises are pre-requisites for all sides. These must be underpinned with a total honesty and transparency in all reporting and communications.

2.10.3 Measuring Success

Business benefit from IT activity comes in many forms, not all of which can be measured in financial terms, at least not directly.

Of course, most business initiatives will be brought forward to achieve real, tangible results; after all if they don't affect bottom-line performance, where is the value in doing the work? Whereas, many purely IT projects (and there are such things – see 2.6 above) are unlikely to provide a direct return on investment.

Nevertheless, we are primarily concerned here with making sure that the IT function is properly aligned with Business Strategy to deliver real value. Projects and programmes are generally formulated on the basis of a compelling business case, with a projected cost/benefit analysis as justification. The realisation of the planned benefits is usually, but not always, assigned to a sponsor and expressed in measurable terms.

Sometimes, however, the business case is built upon less secure foundations and the introduction of technology is justified largely on the basis of anticipated, notional 'productivity gains' from improved performance. The simple fact is, though, that such 'productivity gains' are often undeliverable, unless they can be directly translated into genuinely increased revenue, or reduced headcount. It is up to the business initiative sponsor to make sure that each business case is both well founded and subsequently achieved.

The contribution of the IT function to the general welfare of the organisation may be less easy to evaluate and demonstrate, but not impossible, providing there is absolute clarity of direct cause and effect between business outcomes and the supporting IT activities. Providing also that real metrics are used to measure success, rather than subjective opinion.

More and more businesses are adopting the Balanced Scorecard approach to facilitate their understanding of what makes their business work. IT can be a key player in this process and the disciplines outlined in these Guidelines should be a substantial help in constructing a scorecard for IT, as well as for aligning IT with the Business Strategy.

3. A TEN POINT PLAN FOR ALIGNING IT WITH BUSINESS STRATEGY

- 1 **Understand the business** – identify and document all of your business processes, formal and informal;
- 2 **Acknowledge the culture** – analyse the structure, ethos and nature of your organisation;
- 3 **Know the IT estate** – identify and document all IT assets, applications and delivery channels;
- 4 **Discover the value chains** – identify and document the relationships/ touch-points between the business and the IT estate;
- 5 **Interpret the context** – gather and collate intelligence about influential factors, internal and external;
- 6 **Determine the Change Agenda** – analyse the context, the business strategy and influential factors, identify impacts and implications for the IT estate;
- 7 **Chart the Technology Roadmap** – prioritise, time-line and optimise the change agenda;
- 8 **Plan the work programme** – translate the technology road-map into business unit plans;
- 9 **Populate the delivery framework** – resource the programme;
- 10 **Achieve the business benefit** – implement the delivery framework.

Please note that the above plan is a continuous and iterative process – 'an ongoing way of life,' rather than a simple, linear exercise. To be completely successful, you will need to review your assumptions and plans on a regular basis; refine them where necessary, by negotiating and communicating change with your value chain partners and by responding to changing circumstances, in a timely and appropriate manner.

4. CONCLUSIONS

The benefits of aligning IT with Business Strategy are manifold and essential to the long-term success of every organisation that employs technology. Satisfactory alignment may take some time to achieve – but it will not happen at all, unless you approach it in a structured, methodical, manner.

The steps illustrated in these Guidelines will help you to understand the nature of the challenge, how to address the fundamental issues involved and give you strong foundations upon which you can build.

There are four strategic cornerstones:

- 1 A thorough understanding of your current business operations, including the organisational culture;**
- 2 Knowledge of your IT estate (resources), including the value chains;**
- 3 Good awareness of your future business context and influential factors;**
- 4 A clear vision of where you want to go and how you are going to get there.**

The essence of successful alignment between IT and the Business Strategy is based on effective understanding, communication and collaboration, throughout the value chain. Wherever possible:

- Endeavour to share your strategy within the organisation and with your strategic partners: customers and suppliers (under non-disclosure agreements);
- Use business models to illustrate your plans graphically, to overcome the difficulty of abstract thinking and to facilitate sharing/discussion;
- Use objective metrics to prove your models and to clarify your decision-making/planning.

Please bear in mind that any implemented changes will have altered your original perspective – so your process, technology, organisational and financial models will all need to be updated regularly to reflect their changed status. You will also need to continually review your work in progress to see if your current plans have been impacted unexpectedly by changing circumstances – vigilance is just as important as vision.

Finally, when you have aligned IT with Business Strategy you will be able to:

- Understand how your business works;
- Know where your business is going;
- Discover how you can help to get there;
- Decide what you will need to do to measure your progress along the way;
- Realise what you will have to do differently in the future;
- Learn how you can use IT to do things better;
- Make better informed business and technology decisions.

K E Y P O I N T S

- The first principle of aligning IT with the business, is a crystal clear understanding of the business itself.
- The most frequently overlooked aspect of IT strategy definition is the cultural analysis of the organisation.
- Understanding value chains is paramount because these represent the relationships and the touch-points between the business functions and the IT estate.
- We need to know what pressures will shape and influence our business; perhaps imposing change upon us when we least welcome it.
- Gather intelligence from a number of sources, both internal and external to determine how any change may affect existing business functions, culture, IT estate and value chains.
- Successfully balancing sometime disparate needs is at the core of IT and Business Strategy alignment.
- Where necessary adjust schedules to accommodate proper alignment with established resource cycles.
- Business units need to move at different speeds – so each business unit should have its own, dedicated, IT programme of work, showing when, where and why activity will be taking place.
- The golden rule is never to over-commit beyond actual capacity to deliver. If there are insufficient resources, or time available within the capacity horizon, either the task must be re-formulated, or the resource pattern altered.
- Continually review all work in progress to see if current plans have been impacted unexpectedly by changing circumstances – vigilance is just as important as vision.
- The essence of successful alignment between IT and the Business Strategy is based on effective understanding, communication, collaboration and mutual trust.

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