

What Is IT-Organization Alignment All About?

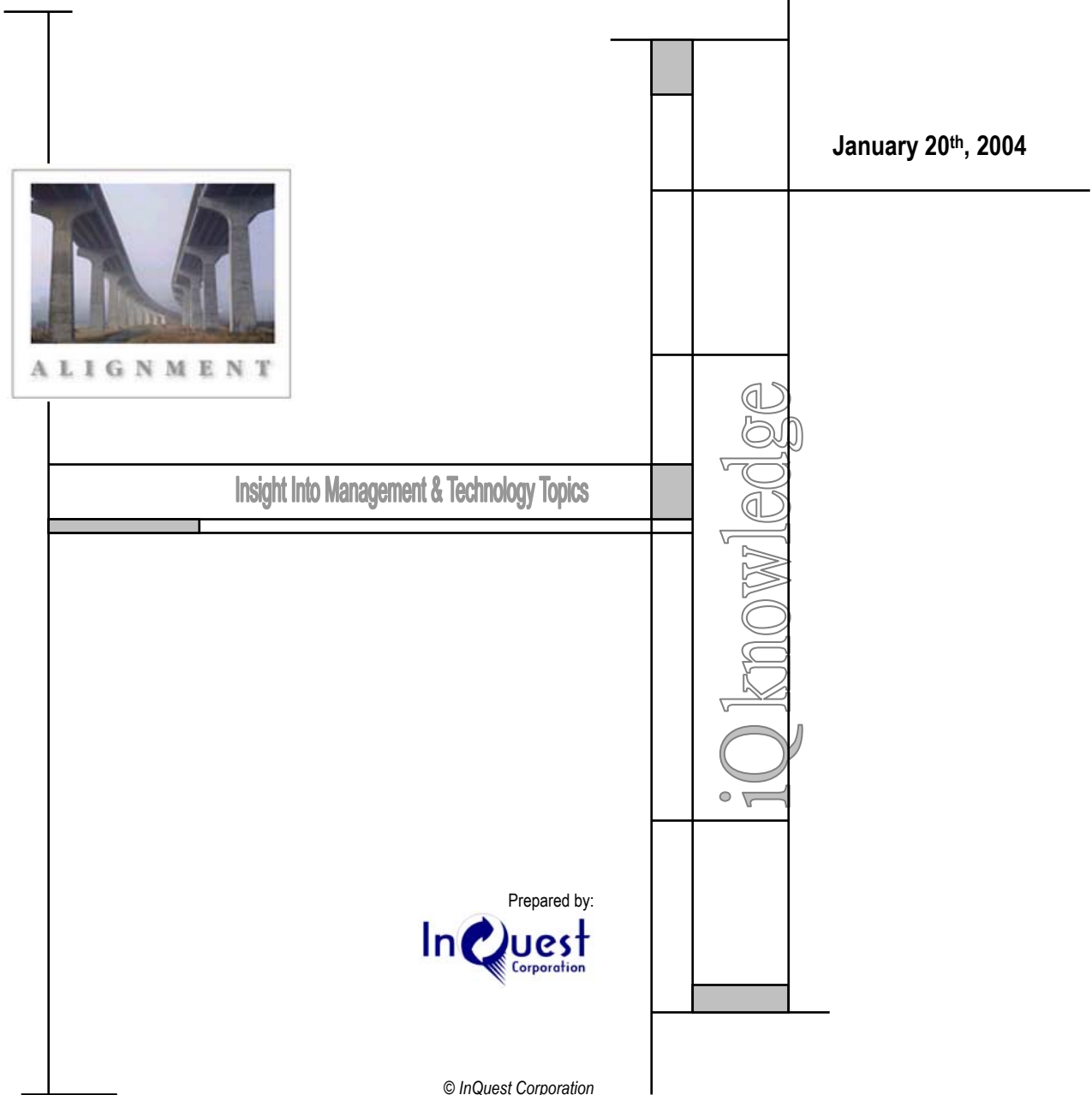


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Executive Summary

One of the hottest trends shaping the information technology (IT) management market today is the alignment of IT with business priorities. Past practices of simply considering IT a cost center, with no regard to its contribution to the organization’s top and bottom line, is no longer acceptable. Part of this new shift in thinking involves a sea change in the way that IT manages the services that it delivers to its customers. Past practices that involved managing IT infrastructures from a purely elemental point-of-view, in which the status of part of a service were monitored without regard to the state of the entire system, are incapable of providing levels of service that today’s businesses demand. Today, IT is required to guarantee availability and performance of an entire system, from the end-user perspective. This is accomplished by monitoring the entire system from the top down, that way end-to-end performance is assured.

“It is not the strongest of the species that survives, nor the most intelligent, but the one that is most responsive to change.”

- Charles Darwin

IT has done a lot of growing up over the past few years—perhaps more so than any other period in its forty-plus year history. There are a number of reasons for this, but the primary factor is the economy. Companies reeling from the combination of the post-9/11 economic downturn, the collapse of the dot-com and telecom bubbles, and general economic pessimism, are seeking to trim expenses and increase profit margins in every way possible. IT, traditionally considered a cost center, is no exception, and the management of IT technologies and processes is a key area in which businesses can increase margins and decrease costs.

For an organization to realize the advantages of an aligned and optimized IT to Business relationship, it needs to embrace a methodology, a framework, and a process for assessing, developing, and integrating an IT-Organization Alignment program. This whitepaper will walk you through the thought process that InQuest Corporation has incorporated into its IT-Organization Alignment service offering. The service offering incorporates four components that answer the questions of What Do I Need?, How Do I Get There?, What Do I Do? – this is InQuest’s What-How-Do model.

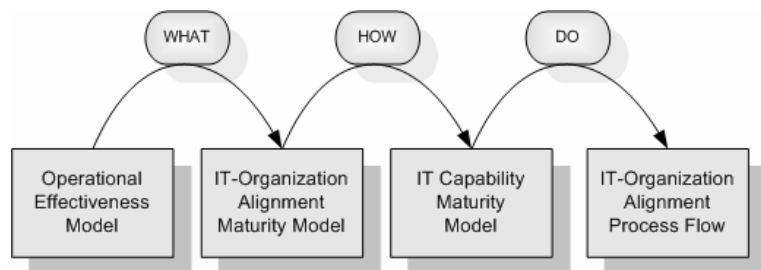


Figure 1 – What-How-Do Model

This whitepaper will discuss the models and process flows that are incorporated in the What-How-Do model.

An organization is more than just structure and for an organization to be effective, all the working parts must be aligned and driving towards a common and achievable goal. One of the important components within the What-How-Do model includes the Operational Effectiveness Model and its associated foundation and pillar components. You will see how important a foundation for governance and funding are to establishing a solid base upon which organization structure, people and culture, processes, communication and alignment and finally metrics, tools and investment appraisal are to an aligned organization.

The promise of an aligned IT and business is highly dependent on IT's ability to recognize the need for and manage through the change to achieve communicated goals. Whether IT is the enabler for the business to change through implementation of a new application or ensuring it can change rapidly internally to respond to business requirements, change is constant within IT. IT's value is often measured by how well it enables change, drives change, supports change, or facilitates an understanding of how much change may be tolerated by the business.

IT will only achieve the promise of alignment with the business when it has understood by assessment **where it is today** and **where it wants to be tomorrow** in relation to the businesses stated mission and vision. The use of maturity models to measure the efficiency of the IT organization and a process framework to plan for operations excellence, service leadership, and customer knowledge is a calculated and deliberate way to achieve an aligned IT and business organization.

Introduction

The 1990's saw management consultants encouraging companies not to worry that "change is constant and persistent" and that they must "change or perish!" As a corporate executive and a management consultant, I have seen from first hand experience that rapid and continual change tears an organization apart. It keeps a company from achieving strategic momentum and causes employees who are not inherently resistant to change to become so out of fear of the unknown.

One of the most pervasive misconceptions about IT-Organization Alignment and change management are that you somehow have to wipe out everything that's not working properly, and start anew.

So, why do organizations have such a hard time getting aligned behind their strategic goals and often times, as a result, wind up losing the very employees they need to accomplish their vision? In addition, why are some companies so successful at it while others fail?

Some of the most pervasive misconceptions about IT-Organization Alignment and change management are that you somehow have to wipe out everything that's not working properly, and start anew. Many companies that have been successful at managing change do just the opposite. Their strategies tend not to totally reinvent how they do their work, they take a much more no-nonsense approach to getting their organizations aligned. Put simply, they work with what they've got. This is not to say that these companies never turn to new people or new ways to create the change they need, but rather than search for the magic bullet they work hard to create their own and bring in expertise to assist as needed.

Regardless of whether a company is trying to radically improve its customer relationship management efforts, their IT to Business strategy or simply create a better way of measuring one component of performance, the answer to better organizational alignment seems to lie in how often a company induces change and how sweeping that change is across its organizational components. Companies that are effective at getting the organization aligned behind its goals do two things:

1. They tend to focus on moderate, intermittent changes that alternate between a period of disruption and a period of stability.
2. They look long and hard at their existing assets to understand how they should be redeployed or merge differently to meet new goals.

An organization is more than just structure and for an organization to be effective, all the working parts must be aligned and driving towards a common and achievable goal.

There are five components that support the organizational effectiveness framework and they stand upon the foundation

blocks of FUNDING and GOVERNANCE. The five components or pillars of the framework are:

1. STRUCTURE
2. PEOPLE & CULTURE
3. PROCESS
4. ALIGNMENT & COMMUNICATION
5. TOOLS METRICS & INVESTMENT.

It is often said that a picture is worth a thousand words. In a Gartner Group research paper entitled “The Five Pillars of IS Organizational Effectiveness,” the following figure summarized an eighty-page report about the characteristics of an effective IT/IS organization:

Organizations are effective when they achieve or exceed their intended results in today’s dynamic and competitive marketplace. This requires them to have a clear and compelling vision and mission, a challenging and responsive strategy, an adaptive organizational culture, and a dynamic and supportive infrastructure.

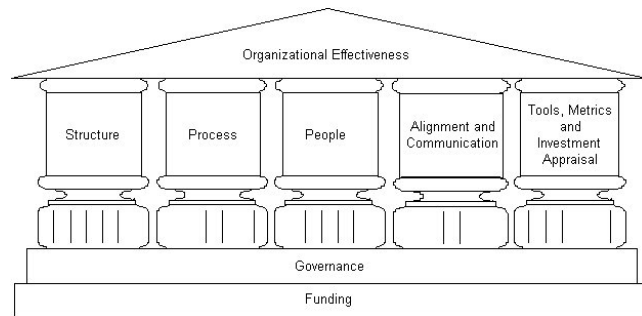


Figure 2 – Operational Effectiveness Model

Unfortunately, most organizations face the following picture when they address their IT organization’s operational effectiveness, process maturity and business alignment:

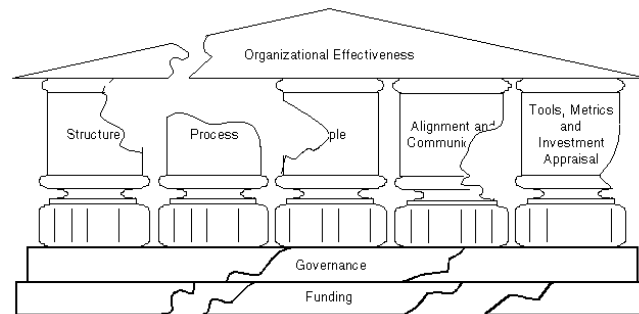


Figure 3 – Typical Organization Operational Effectiveness State

The first two pillars depict an organizational structure not optimized to perform as effectively as the business requires and processes whose level of maturity does not match business expectations. Policies & procedures help the organization achieve a higher level of maturity and standardization ensuring consistency in day-to-day activities. Lack of documented policies and procedures could result in an ad-hoc approach versus a consistent and repeatable approach to problem solving.

The picture continues by defining the third pillar and the effectiveness of the IT organization and its dependence on the availability of human resources, their level of motivation, their skill sets and capability and finally the embedded culture that drives the motivation of the organization to succeed. In the fourth pillar, for IT to achieve alignment with the business there must exist:

- A clear business strategy
- A framework for developing and communicating the complementary Business-IT strategy
- Robust communication channel(s) that span business units and technology silos
- IT governance throughout the organization

Organization Alignment is all about -- the conscious and systematic coordination and alignment of Organizational Strategy, Culture and Infrastructure to be mutually supportive, and to all contribute as efficiently and effectively as possible to organizational results that are a must for survival and success.

The fifth pillar — tools, metrics, and appropriate investment appraisal represents a key element to organizational effectiveness. This is an important mechanism to obtain corporate funding as well as a way to improve IT alignment with business unit strategy. One of the key challenges that most companies face is quantifying the results of investments, particularly where soft dollars are involved. In response to this need, many organizations rely on Total Cost of Ownership and various dashboard-reporting methodologies to quantify their effectiveness.

We have found that organizations that align their goals to the Five Pillars with capability-focused behaviors create and sustain results. I am sure Figure 2 generates a head nod from more than one or two of you reading this white paper. So, now that we recognize there are five areas for consideration when analyzing IT operational effectiveness; the question asked next is, “how do I fix it!” For most organizations that recognize there are inconsistencies with their IT to Business alignment the most common question we are asked is, “where do I start?”

Where Should You Start?

The place to start begins with assessing ***where you are today*** and understanding ***where you want to be tomorrow***. Your assessment and understanding should be relative to supporting your corporate mission, vision and values.

The Pillars provide the foundation for setting organizational goals and provide the framework for an evaluation process. Once the goals for each pillar are set for the organization as a whole, they are cascaded throughout, from the division level to department or unit level, to individual leader. In the book, “Good to Great,” Jim Collins writes about great organizations benefiting from the flywheel effect where the power of continued improvement and the delivery of results creates momentum. The beginning of organizational alignment is not a launch or a kick off, instead it is simply recognition that all that we do should

start at the core of the organization: corporate values as they relate to business strategy as it relates to business mission.

A detailed assessment provided by interviews of the organization's principals is required to understand their business mission and vision and how they integrate with communicated values. One of the keys here is measurement of maturity of communication programs – if the organization's employees have not heard the message articulated from their leaders – you cannot blame them for failing to carry the company flag up the hill.

IT and business operations are now inseparable:

- **Business today totally relies on IT**
- **Expectation of IT is expanding to include managing business services**
- **In the end, IT is expected to create demonstrable business value**

The complexity of business and IT operations makes it difficult to tune business requirements and IT service capabilities. Business operations often cannot express their real service requirements and do not know the corresponding performance needs. Likewise, IT operations often do not know how to differentiate between IT services and how to attune them to a specific internal or external customer. A framework or *maturity model* is required that enables IT operations providers to assess their capabilities with respect to the delivery of IT services that align with the business and to provide IT operations with directions and steps for further improvement of their service capability.

The Maturity Model

An IT-Organization Alignment Maturity Model will measure capability maturity levels of key process areas; will organize the process areas by common features that will contain key practices. The key process areas will define the goals of the process and its associated mission, vision and values. The common feature set inherent in each process area includes and distinguishes between five kinds of practices, called common features. These features are:

1. *Commitment to Perform*: activities aimed at ensuring organizational and management commitment to the key process area activities, for example by means of establishing certain organization-wide policies.
2. *Ability to Perform*: activities aimed at enabling the key process areas, for example by means of sufficient budgets and training.
3. *Activities Performed*: the activities needed to get the job done, for example planning service level agreements.
4. *Measurement and Analysis*: activities aimed at determining the status of the key process area. For example, measuring the time spent on tasks or how long it takes to deal with problem incidents.
5. *Verifying Implementation*: activities aimed at verification of the implementation of a key process area. For example, it is important that task SLA metrics are reviewed by senior management on a regular basis.

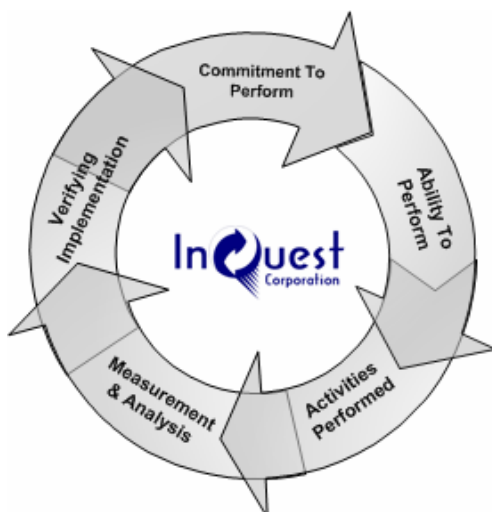


Figure 4 – Key Practice Common Features

Together, these five common features ensure that the goals of the key process area are reached.

A typical IT-Organization Alignment Maturity Model is depicted in Figure 3 below:

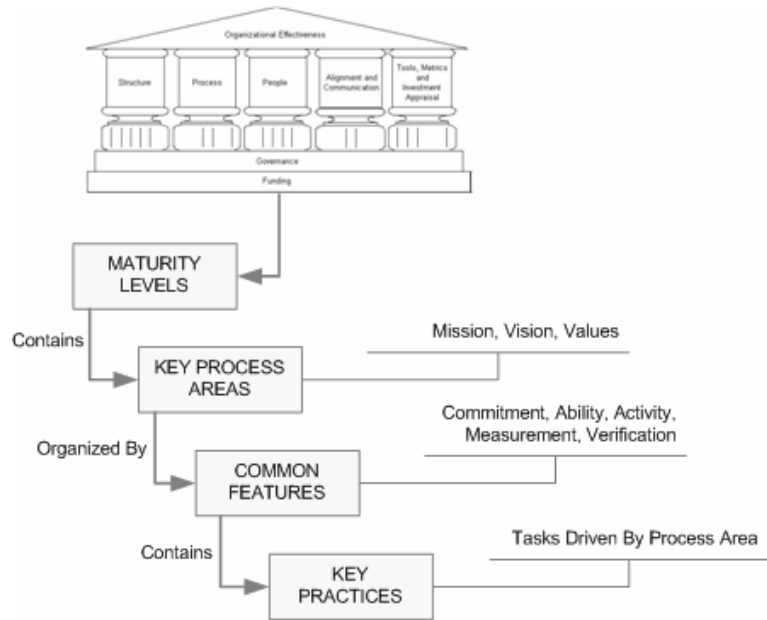


Figure 5 – IT-Organization Alignment Maturity Model

A Maturity Model can be used by an organization in several ways, providing a number of benefits to the organization. Some of these benefits include:

- Provides the organization with a road map for improving the management and support of distributed computing environments in evolutionary stages that better align with business objectives
- Supplies the organization with a guide for evolving toward a culture of IT operations management excellence
- Aids in the selection of continuous process improvement strategies for the IT organization
- Illustrates to the organization how to increase the focus, quality and reliability of support while reducing the support costs enabling closer alignment
- Educates an organization about the issues involved in management and support of IT operations
- Assists an organization with identifying and clarifying their critical issues to the successful alignment and management of their IT operations with the business
- Helps IT management identify priorities and improve goal setting

A maturity model, consisting of five maturity levels has been adopted by many organizations and is patterned after the Software Engineering Institute’s Capability Maturity Model and adopted for various management and IT assessment purposes. Each maturity level describes a stage in the capability maturity of an organization and its ability to meet key process goals.

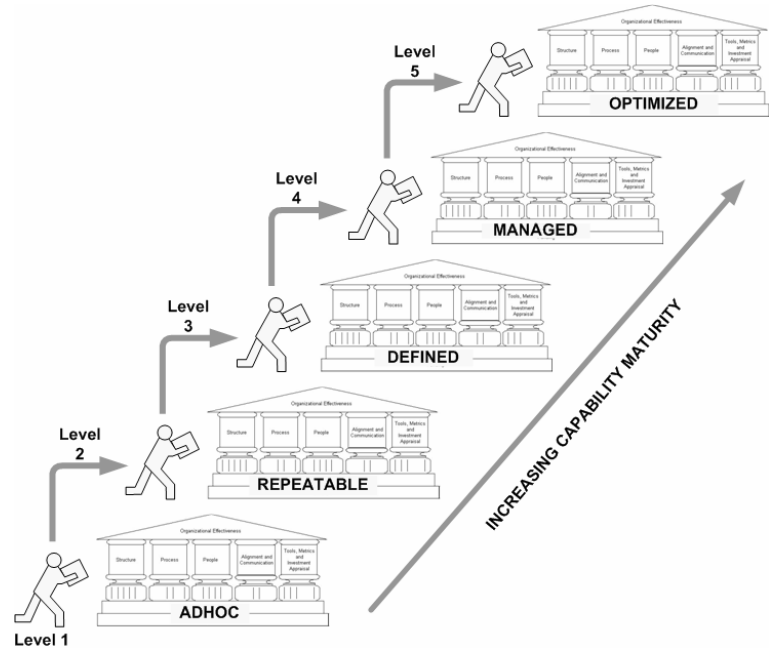


Figure 6 – Capability Maturity Model Ranking

The lowest level is level one, the initial level. Organizations at level one are characterized by working in an ad hoc manner and by unpredictable performance. If IT services are delivered successfully, it is because of individual heroism. Organizations at level two, the repeatable level, deliver services with a repeatable quality. That is, they can repeat earlier successful performances in similar circumstances. The third level, the defined level, is aimed at standardization of services. Organizations at level three employ standard processes to deliver standard services and have implemented organization-wide processes to train employees and manage resources and problems. The fourth level, the managed level, is aimed at attaining quantitative control over the IT service processes. Level five, the optimizing level, is aimed at continuous process improvement.

Each maturity level (except for level one) contains a number of key process areas. To reach a certain maturity level, each of the key process areas of that level and lower levels has to be implemented by the IT service organization. A key process area is considered implemented if each of the goals of the key process area is reached. A key process area will consist of goals and of activities, which are called key practices. An

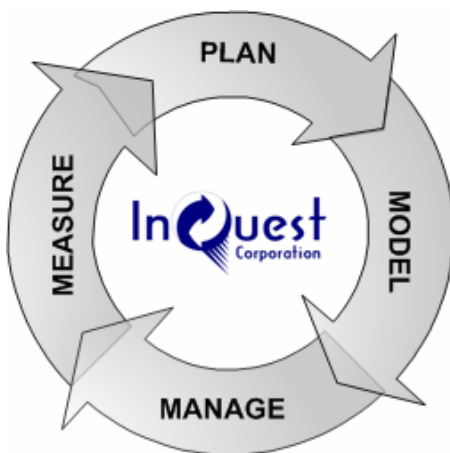
organization that implements all activities from a certain key process area is also expected to reach the goals of that key process area and thereby achieve the defined level of maturity.

Who Gets It Done & How?

Ensuring IT alignment with the business has traditionally been viewed as the CIO's job. However, successful IT-Organization alignment entails more than executive level communication and strategy translation. CIOs often encounter difficulties that appear to be beyond IT management's ability to change. Fortunately, the difficulties aren't always beyond the control of IT. There is a way to overcome these obstacles. CIOs who have successfully aligned IT with the business have typically done so by establishing a set of well-planned process improvement programs that systematically address the obstacles to alignment. They follow a systematic, holistic approach that goes beyond executive level conversation and permeates the entire IT organization and its culture.

The IT-Organization Alignment process flow introduces a simple framework that the IT organization can adopt to manage a broad range of activities that provide a systematic way of achieving alignment.

The four phases of the IT-Organization Alignment process flow are:



1. *Plan with the business.* Find out what's important and prioritize IT services that support key business objectives.
2. *Model the infrastructure.* Link IT components to critical business services and identify what's important and what's not.
3. *Manage operations.* Support users and manage infrastructure resources to ensure delivery of promised service levels.
4. *Measure results.* Verify and communicate that commitments are met and use the data to continuously improve operations.

Figure 7 – Process Flow for IT-Organization Alignment

Following this cycle fosters organization-wide shared expectations between business and IT managers, and defines a common framework for a broad range of activities that together serve to align IT with business objectives. The cycle also identifies best practices and common processes within and between IT functional groups to make IT-Organization alignment sustainable and scalable. The IT-Organization Alignment process flow not only helps the IT organization successfully achieve alignment, but also helps IT effectively measure and communicate value back to the business.

The IT-Organization Alignment process flow works best when integrated and automated with software applications and monitoring tools. Various software products are available that provide a comprehensive set of solutions that enable the IT-Organization Alignment. Better alignment with the business

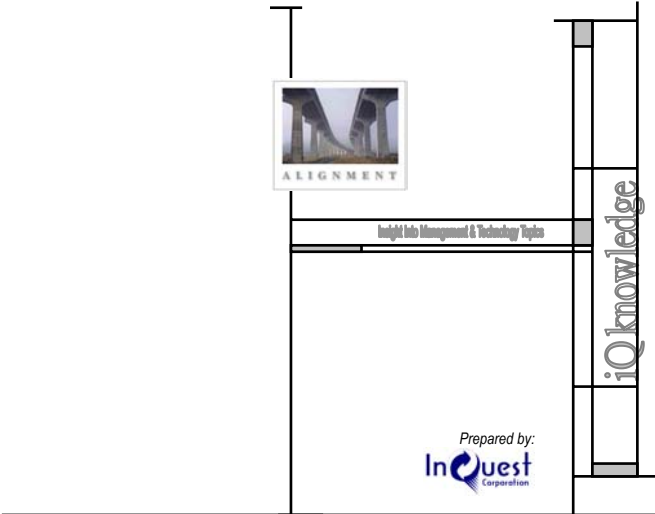
drives bottom-line benefits that include better allocation of scarce IT resources, more successful support of business strategy, and improved perception of IT service levels and quality.

Conclusion

The IT-Organization Alignment Model provides a simple framework that IT organizations can adopt to systematically achieve IT-Business alignment. By committing to the model and integrating and automating activities using various software solutions (such as those from BMC, CA & others), CIOs can align their whole organization to make systematic improvements that overcome obstacles to alignment.

The IT-Organization Alignment Model helps the CIO better measure and demonstrates value with business managers by setting expectations and communicating success in terms that are relevant to the business. It also arms the CIO with tools needed join the table of strategic partners in the business. That means a more meaningful and important career for IT professionals, and a more receptive environment for IT funding requests.

InQuest Corporation is pleased to present iQknowledge®, a series of whitepapers to assist organization's in making good management and technology decisions to support their business needs.



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