

## **ITPMG Insights**

### **IT Strategy:**

# **Aligning Information Technology With The Business**

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## Aligning Information Technology with the Business

In today's rapidly changing world, Information Technology (IT) can become an enabler of business agility, or an inhibitor. It can also facilitate improving business performance or become another cost center to continually cut. For IT to provide added value to, it is critical to have strong alignment between IT and the business. IT must become more agile to facilitate business agility. A company must ensure that the direction that IT is taking aligns closely with the business direction. This is achieved through a variety of methods, including:

- a clearly defined IT strategy for how to best utilize information technology to enable business goals and direction
- a sound governance process that facilitates IT decision-making
- a supportive management team with an open mind
- an objective process for determining the business case for IT investments

This paper focuses primarily on the purpose, benefits, and approach for developing an effective IT strategy that fosters alignment with the business.

### *IT Strategy Focus*

An IT strategy can be developed from two perspectives, each with its own goals, as described below:

**Solution-Driven:** this is the business-driven focus of an IT strategy to provide alignment with the business. IT's primary goal is to better align IT's focus, activities, investments, and technologies with the business to maximize the value of IT to the business and enable the business strategy. The sponsor of a business-driven IT strategy is a senior executive above the CIO (e.g., CEO, CFO, COO) who sees the need for better alignment. In some cases it may be a CIO, but he must have a business executive supporting him in the process.

**Delivery-Driven:** this is the focus of an IT strategy that is aimed at improving the delivery capabilities of the IT function. Its primary goal is to step up the level of contribution of the IT function and improve overall IT capabilities. The sponsor of a delivery-driven strategy is typically the CIO.

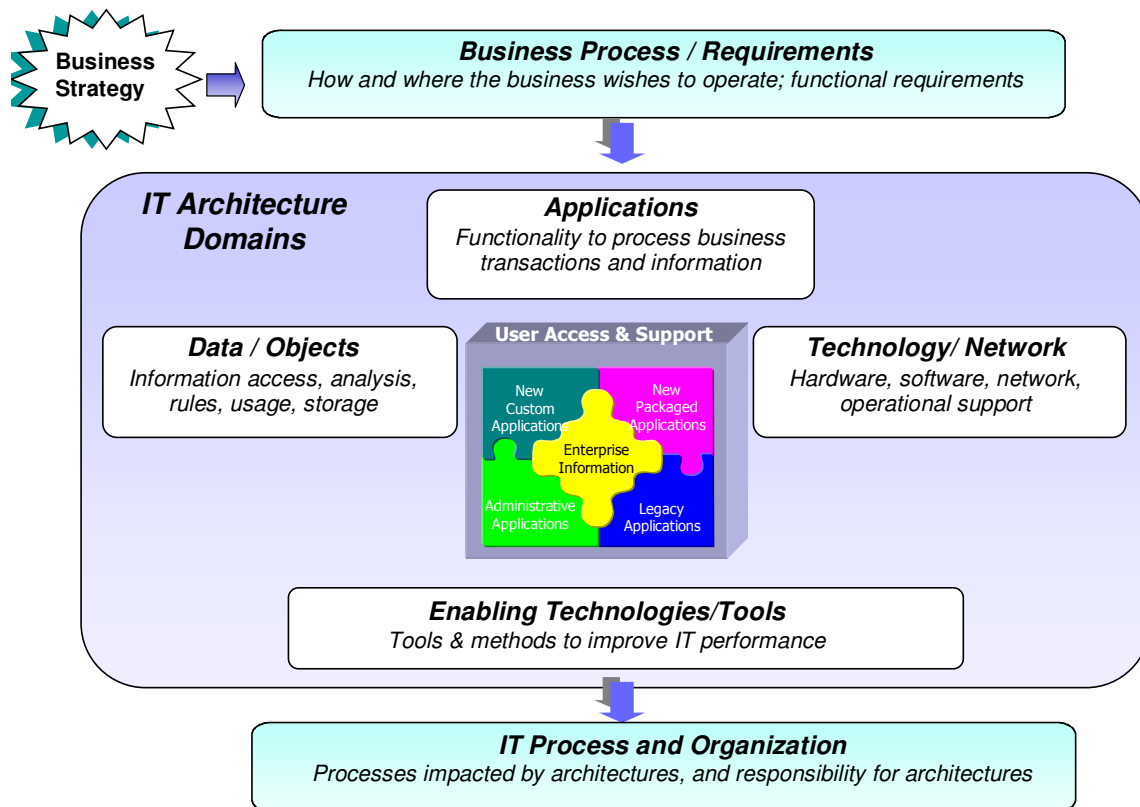
Ideally, an IT strategy will address both perspectives. If the business believes that there are no alignment issues with IT, then a delivery -driven IT strategy may be appropriate. If a solution-driven IT strategy is required, it is still important to follow it up with a delivery -driven IT strategy to ensure that the capabilities of the IT function are sufficient to address the new direction and technologies that may result from the solution-driven strategy.

### ***Essential IT Strategy Components***

Many companies develop IT strategies that sound reasonable, but do not clearly illustrate how they align with the business strategy, nor do they give enough direction to the IT staff on what they need to do to successfully implement the strategy. The end result is inadequate support of the business direction and very little change in the IT function. For an IT strategy to be effective it must contain the key components described below:

- A. ***Business Direction*** – Every IT strategy must be driven by a clear definition of a company's strategic direction and tactical plans. Many companies do not have well defined or documented business strategies or plans (other than financial plans). In this case, an IT strategy must summarize what it believes the business direction is and validate it with senior management. Key to the summary business direction is a definition of business imperatives and success factors.
- B. ***IT Direction*** – IT can now define a direction and approach that will support achieving the direction and goals. Key to the IT direction is the specification of IT imperatives that must be achieved to support the business imperatives. Another important component is the definition of clearly defined and accepted principles.
- C. ***IT Assessment*** – It is important to understand exactly where IT stands in terms of its current state assets, capabilities, processes, and spending. This includes a quality assessment on all aspects of an IT architecture: applications (functional and technical), data (timeliness, accuracy, accessibility), infrastructure (reliability, scalability, performance), access/security, etc. See Synergy's IT Assessment Overview for a more complete description of what is assessed and how.
- D. ***IT Architecture Plan*** – A critical component of any IT strategy is the development of an IT Architecture plan that provides a future state view of each architecture domain illustrated below. This architecture plan must provide the right level of detail to guide IT key activities. If done correctly, the architecture plan serves as a key bridge between the strategy and development activities.

The primary IT architectures domains are described in the following diagram.



See Synergy's IT Assessment Overview for a more complete description of IT architecture planning.

- E. **IT Capabilities & Support** – Successfully implementing a new IT strategy will usually require enhanced IT capabilities. In essence, the IT function will need a transformation in many key areas. The areas of focus and degree of transformation are dependent on the current state of IT and the extent of change required to support the new IT strategy and architectures. Transforming the IT function can be done as an integral part of an IT Strategy initiative or can be a separate initiative.

Support from the business is also critical in facilitating change for IT. A key support area is establishing effective governance mechanisms for facilitating key IT decisions. IT governance should encompass decisions for IT investments, IT architectures/principles, IT applications, and IT infrastructure.

Note: Sourcing is a major effort in its own right and can lead to separate initiatives to analyze sourcing objects/requirements and select appropriate suppliers.

- F. **Migration Plan** – To implement the IT strategy, a plan is required for migrating from the current state of IT to the future state as defined in the new strategy. This plan will reshape all IT existing projects and activities. Numerous initiatives will be identified, prioritized, staffed, scheduled, and funded. The disposition of each existing initiative must be determined (e.g., cancel, reshape, accelerate).

The migration plan includes a road map that enables the implementation of the strategy based on time, available resources, and the ability to assimilate change. The plan is a fundamental component to successful change and serves as the primary link between the future state and the actions required to achieve it. In this stage we identify initiatives (typically IT projects) that will be the means of transitioning from the current state to the desired state to realize the improvement opportunities that were identified earlier. The projects will then be sequenced based on priorities and dependencies, and an integrated project plan will be prepared.

### ***Turning IT Strategy into Action***

The initiatives identified in the IT strategy are what make the strategy actionable. It is important to determine the fit of your resources in meeting the requirements identified for each initiative. A company should identify areas where expert support should be obtained or where they should seriously consider outsourcing where IT capabilities are inadequate.

### ***Business Initiatives***

Business initiatives deliver business benefits as defined by management. They are typically projects that implement new applications or provide improved data access and analysis tools. They should be driven by the business direction and the data and application architectures. They often may result form process improvement projects.

It is important to show early return on investment to maintain commitment to the strategy. Pilot initiatives should be undertaken to demonstrate early success and the value of the new architecture.

### ***IT Initiatives***

IT initiatives are typically projects that are designed to improve IT capabilities as defined by will be driven by IT transformation recommendations. They are also driven by the network/technology and enabling technology architectures. These initiatives develop the new IT environment, addressing technologies, organization, and management.

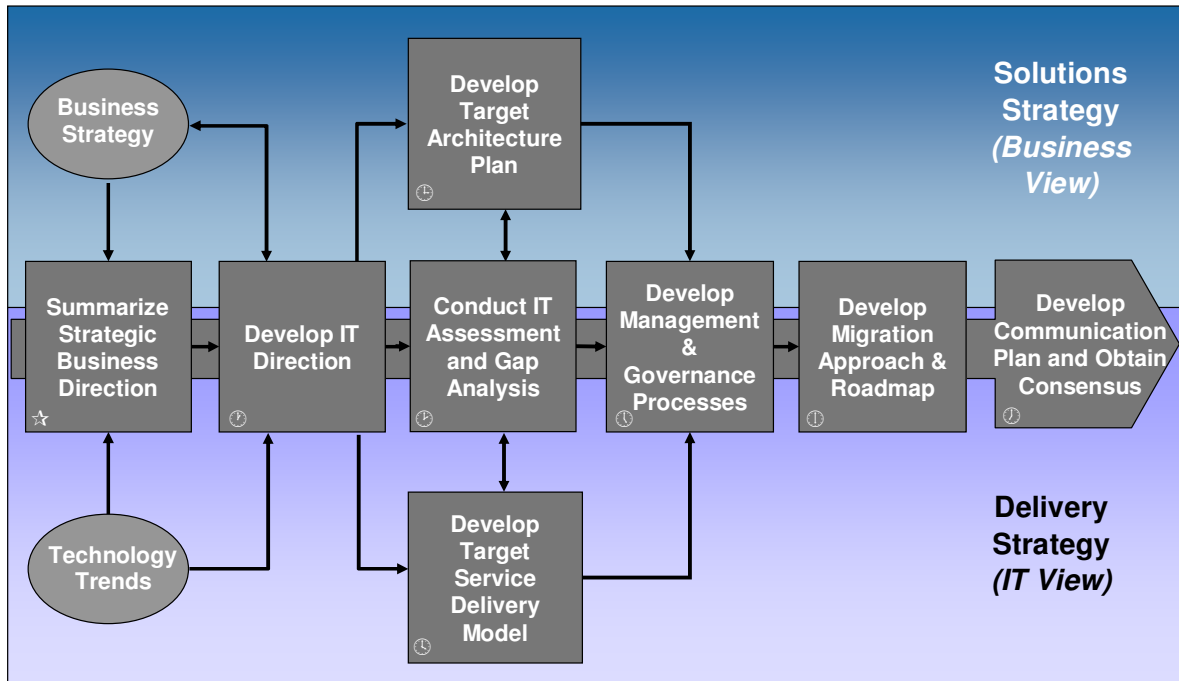
Typical projects include:

- installing new methods/tools,
- designing / developing improved architectures,
- preparing an employee development program
- selecting outsourcing suppliers

It is often a challenge to cost-justify IT initiatives, since they only *indirectly* provide bottom-line benefits (they often piggy-back on key business initiatives).

### ***IT Strategy Process***

Assuming that an IT Strategy will be run as a project, there is a specific process that should guide development of the project plan. Synergy Solutions has a proven eight-step process that guides development of an IT strategy for our clients. It is a comprehensive approach that addresses both solution-driven and delivery-driven perspectives. This process can serve as a baseline that is tailored to meet client specific needs. The figure below illustrates the process.



### ***Transition Management***

Enabling major change in IT strategy and architecture represents a major transformation effort. Both IT and business professionals will be impacted by the new strategies and architectural direction. Managing the migration to new IT strategy is a critical change management effort that should be addressed throughout the strategy.

Activities that need to be addressed include:

- **sponsorship** for the transition
- **communicating** vision, purpose, and progress
- **educating** the organization on the new direction and how it impacts each person
- **facilitating** the change process (e.g., through the use of change agents)

### ***Why IT Strategies Sometimes Fail***

Companies that undertake an IT strategy often do not get the desired results, and they consider the strategy a waste of time and resources. Typical reason for IT strategy failures include:

1. ***Insufficient management support.*** This is usually seen in delays in lack of active involvement by senior management in the development of the business direction and in validating the IT strategy components. Without the proper level of management support, no one will take the IT strategy seriously and it may not develop a true alignment with the business.



2. **Poor definition of the IT strategy goals and perspective.** Companies usually do not understand the different perspectives that an IT strategy can take, as explained above. This can result in a strategy lacks a clear focus and purpose, producing an ineffective result.
3. **Misaligned expectations.** Another common issue is the belief that the strategy itself will produce improved results. It is important to clarify that an IT strategy is only a clarification of the direction that IT should take to better support the business direction. While it should also develop tactical plans for putting the strategy into action, it does not deliver direct benefits to the business.
4. **Inadequate detail to guide IT.** Even well defined IT strategies often end up as nice documents that never get implemented. A primary reason for this is the lack of detail in the strategy specification. An effective IT strategy also develops a high-level IT architecture plan that provides adequate detail to give clear direction to the IT staff, especially developers.
5. **Failure to address IT capabilities to implement the strategy.** Another key reason for failed IT strategies is the failure to address the IT function's ability to implement it. An advanced IT strategy may call for new systems and technologies that the existing IT staff has little expertise in delivering.
6. **Lack of managing the strategy as a project.** Many companies try to develop their IT strategy over several months, in the normal course of their work. This usually produces inadequate results. A strategy should be organized as a project, with a well defined charter, project plan, team structure, etc. It should deliver its results in 8-12 weeks.

## Summary

ITPMG has developed, and successfully implemented, a thorough approach for developing effective IT strategies and architecture plans, that result in improved alignment between IT and the business. Specific focus and deliverables varies with the unique needs of each of our clients. We tailor our process to fit your specific needs at the start of each engagement.

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