Gaining and Maintaining IT & Business Alignment

presented by Robert Sheesley
for PMI Pittsburgh Chapter
Agenda

• The Dynamics: Not an Accidental Love Triangle
• The Problem: The Vicious Cycle of Alignment
• Aligning the Dimensions: Business Strategies, Technology Strategies, Roadmaps, and Investments
• IT Governance: The Business Governance of IT
• IT Governance: Putting the Plan into Action
• IT Alignment Metrics: A Scorecard
• Next Steps: Gaining Alignment and Governance Best Practices
• Next Steps: The Business Engagement Team
Reality

• Few organizations have a systematic and reliable way of translating business strategy into action across all elements of the organization.

• Implementing even the best long-term plans (e.g., strategies, roadmaps) by successive decomposition, design and realization steps is only possible in very stable circumstances.

• Classical Top-Down Strategy implementation cannot keep up with the transformation speed required in a rapidly changing market environment.
Enterprise Architecture

- Strategy
- Capability-Based Planning
- Project Portfolio Management
- Program & Project Management
- Design, Development & Delivery
- Service Management
- Information Management
- Risk & Compliance Management

Reality Meet Relevant
Relationships

- PPM and Enterprise Architecture jointly provide direction to program and project management.

- PPM sets investment priorities and determines budgets for various change initiatives.

- EA is used to analyze the change initiatives’ benefits, costs, risks, and dependencies.

- Program and Project Management provides roadmaps for change that take into account these dependencies.

- Program and Project Management also provides PPM with tracking data on the value delivered and budgets used by programs and projects.
The Problem: The Vicious Cycle of Alignment

The business doesn't feel comfortable making IT decisions

- In the absence of a coherent Technology Roadmap, many non-IT executives delegate key technology decisions to IT

IT makes decisions it shouldn't make

- Without a clear mandate and strategic directions, IT executives can make decisions they shouldn't make, for example:
  - Which services should be shared enterprise wide
  - How good services need to be
  - Who to blame when IT does not deliver

IT doesn't deliver the expected business value

- A portfolio of services delivered from technology silos that act without a clear business mandate rarely provides a coherent picture of the use of technology in the enterprise
  - In the absence of such a picture, the business will not feel comfortable with IT

Source: Forrester Research, Inc.
Prepare for Alignment: Focus on Alignment & Performance

To achieve alignment, IT must be aware of the driving forces of Business Priorities:

Dimensions of Alignment

1. Business Strategies
   • Described through Capabilities
2. Technology Strategies
   • Built around Business Strategies
3. Roadmaps
   • Illustrate dependencies
   • Unify Business and Tech Strategies
4. Investments
   • Provide the financial boundaries

Business Expectations for IT Focus on Current Operations and Performance

Executive Leadership
Founded on building and maintaining credibility
- Personal vision, relationships, delivery of outcomes

Demand Side
Lead with your business colleagues, and know what is valued
- Create and communicate an enterprise IT-enabled vision
- Shape and manage informed expectations
- Use good governance to weave business and IT strategy together
- Create, exploit and maintain a business-oriented enterprise architecture

Supply Side
Lead your IT team, and deliver cost-effective services
- Build a lean and focused IT organization
- Develop and nurture your team
- Communicate IT-enabled performance in business terms
- Adopt business practices in the IT organization

Source: Forrester Research, Inc.
IT Governance: “The Business Governance of IT”

• The title of IT Governance implies that it is the responsibility of IT. IT governance really needs to be recast as “the business governance of IT.”

• Business Value follows from improved IT governance.

• Structure is critical. Structure is critical. Structure is critical.

Illustration: How Structures and Processes create the Framework
IT Alignment Metrics: A Scorecard

Importance of Having a Set of Agreed-Upon Metrics

Metrics will:
- Provide Key Measures for Managing Success
- Quantify Alignment with the Business
- Establish the Model for Governance

Illustrative Metrics Scorecard

<table>
<thead>
<tr>
<th>Metric</th>
<th>Last period status</th>
<th>Current period status</th>
<th>Expected future period status</th>
<th>Current status</th>
<th>2008 target</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>IT value metrics</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Frequency of IT steering committee meetings</td>
<td>Y Y G</td>
<td>R R G</td>
<td>Quarterly</td>
<td>Monthly</td>
<td></td>
</tr>
<tr>
<td>Percent of portfolio programs linked to a strategic business objective</td>
<td>Y Y G</td>
<td>R R G</td>
<td>85%</td>
<td>90%</td>
<td></td>
</tr>
<tr>
<td>Total expected return of the portfolio</td>
<td>Y R Y</td>
<td>R R Y</td>
<td>20%</td>
<td>24%</td>
<td></td>
</tr>
<tr>
<td>Percent of programs meeting or exceeding expected benefits</td>
<td>R R Y</td>
<td>R R Y</td>
<td>50%</td>
<td>70%</td>
<td></td>
</tr>
<tr>
<td><strong>Customer metrics</strong></td>
<td>R R Y</td>
<td>3.5</td>
<td></td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>Number of outages per month due to security issues</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percent of programs delivered on time</td>
<td>G G G</td>
<td></td>
<td></td>
<td>90%</td>
<td>90%</td>
</tr>
<tr>
<td>Percent of programs delivered on budget</td>
<td>G G G</td>
<td></td>
<td></td>
<td>85%</td>
<td>85%</td>
</tr>
<tr>
<td><strong>Operational excellence</strong></td>
<td>Y G G</td>
<td></td>
<td></td>
<td>94%</td>
<td>95%</td>
</tr>
<tr>
<td>Percent of systems covered by security plan</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percent of systems covered by disaster recovery plan</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percent of SLAs met or exceeded</td>
<td>Y Y G</td>
<td></td>
<td></td>
<td>92%</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Future orientation</strong></td>
<td>G G G</td>
<td></td>
<td></td>
<td>92%</td>
<td>90%</td>
</tr>
<tr>
<td>Percent of key roles that meet or exceed competency model</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percent of key roles with completed employee development plan</td>
<td>Y Y G</td>
<td></td>
<td></td>
<td>95%</td>
<td>100%</td>
</tr>
<tr>
<td>Employee retention of key roles</td>
<td>R R R</td>
<td></td>
<td></td>
<td>82%</td>
<td>95%</td>
</tr>
</tbody>
</table>

Source: Forrester Research, Inc.
Next Steps: Gain Alignment and Governance Best Practices

Frame the governance requirements for IT (and IT Investment Governance) into a Steering Committee model:

- Form an IT steering committee, eventually as a function of the Business
- Form an Architecture Review Board to provide guidance and make decisions about trade-offs and technical maturity (which creates business agility)
- Educate the senior business leadership team; focus on clarifying the business strategy and the role that IT will play.
- Model each proposed investment with the entire range of activities required to attain the benefits

Management role:

- Establish a Steering Committee model for key decision making (strategy and funding)
- Establish an Architecture Review Board model for cross platform and capabilities assessments of chc
- Provide data to CIO and decision makers, linking IT’s internal activities to business value
- Promote business value in IT’s interactions with other organizations – use their vocabulary

Organizational improvements:

- IT demand management (IT DM)
- Managing priorities and decisions toward a future state
- Proactive IT marketing and business-value-driven IT governance
Next Steps: The Business Engagement Team

The business engagement team sits between IT's delivery / operations and its customers — owning the following:

- Service quality, including project planning & delivery
- A joint strategy to meet the needs of the business, including the IT-Business Relationship

_The Business Engagement Team is critical for a fragmented IT organization – lacking a consistent way for business functions to work with IT._

The team is dynamically structured based on the needs of business areas. The business engagement team consists of the following:

- Account, business service, relationship, and program managers
- A relationship manager, who may be assigned full-time to a particular business area
- A team which may be assembled and temporarily assigned for a particular project
- Talent that can be pulled from business units as well as from the business engagement team

_This two-way flow of team members allows business people to develop more understanding of technology and it’s uses and IT employees to broaden their knowledge of the business._

The Business Engagement Team acts as a technology solution advisor to each business area it supports. When a business customer has an idea or problem requiring IT involvement, the engagement team has the following responsibilities:

- Drafting "qualified ideas" (QI) that lay out solution options.
- QI includes “options” so that the business is equipped to make its own decision.
- Even if a QI is not chosen, a repository of Qualified Ideas is assembled for re-use.
Appendix

Appendix Materials
Governance Best Practices

Keys to Having and Maintaining Governance:


Governance - Otherwise known as:
• The “Big Rules”: The organizational norms and expectations
• The Metrics: How do we measure ourselves against the big rules?
• The Consequences: What are the consequences of being out of bounds?

Structure is Key: Making it Logical
• Strategy & Planning, as well as Operations Management
• Project / Detail Execution

Good Governance Structure Delivers:
• Alignment between the governance tiers -- from Strategy to Operations to Detailed Execution, to Performance Objectives
• A functional Matrixed environment
• Rewards for positive behavior and “thinking outside the box” . . . Recognition for working the expected model, not just for "get-it-done" heroics.

Keep your Governance from being a “Check the Box”:
• How are quality decisions and direction being facilitated?
• Not just process, not just metrics; if the process is too overwhelming, all effort is put into “putting a check in the box”
• Process without policy is wishful thinking
Five IT Governance Focus Areas - IT Governance Institute (ITGI)

1. Strategic alignment
   - Value from IT investments is a direct result of the investments being aligned with the business strategy. At any given point in time, the projects and programs in the portfolio and their priorities should reflect the strategic objectives of the business. Alignment continues to be one of the top three concerns of both business and IT executives year after year.
   - Depending upon the maturity of the organization, alignment metrics may be as simple as measuring the frequency of IT/business interactions or steering committee meetings. For more mature organizations, measuring the percent of project/programs in the portfolio that are directly linked to a business objective or measuring the investment levels of the project/programs and comparing them to business priorities are other metrics.

2. Risk management
   - With organizations now dependent upon IT to operate their business, they are exposed to risk when IT can't deliver the required services. For IT, risk management means ensuring that IT systems and services are reliable and secure and that IT capabilities are sufficient to fulfill the needs of its stakeholders.
   - Risk management metrics focus on security, reliability, and availability. Specific metrics would include the percent of systems with a security plan, the number of security-related outages, and the percent of systems covered by a disaster recovery plan.

3. Resource management
   - Resource management focuses on IT’s capacity and capabilities to meet or exceed its customers’ expectations for IT systems and services. Does IT have the right people with the right skills, is it adequately staffed, and are resources being applied to the activities that have the highest value to the business?
   - Resource management metrics answer these questions. Specific metrics include percent of programs delivered on time, percent of programs delivered on budget, SLA performance, employee retention, and percent of key roles that meet or exceed competency models.

4. Performance management
   - IT stakeholders rarely understand what or how IT is doing so they are left to judge IT’s performance based on their interactions such as responsiveness to help desk calls or performance on a project. Good IT governance requires IT organizations to measure and communicate their performance to stakeholders.
   - Metrics found on IT performance scorecards include many of the metrics found on the IT governance scorecard such as measures of alignment and value. They also should include measures of customer satisfaction (e.g., from a survey), measures of operational maturity (e.g., number of ITIL processes deployed), and future-orientation metrics to measure human capital, information capital, and organization capital (e.g., enterprise architecture compliance).

5. Value delivery
   - Measuring IT value requires taking a full-life-cycle approach to determine if IT investments are returning the benefits that were expected and documented in the business case. Maximizing value from IT investment decisions requires that they are aligned with the business. Value delivery is really a product of the other four focus areas in that value is derived from strategic alignment with the business, enabled through risk management and resource management, and monitored by performance management.
   - Value delivery metrics require that organizations have a benefits realization process in place that employs business program management rather than IT project management. Organizations must also manage programs through disciplined portfolio management and adopt full-life-cycle governance. Value metrics include the percent of programs that meet or exceed expected benefits as documented in the business plan and the total return of the portfolio.
Business Priorities

Business Priorities as ranked by 100 CIOs

1. Improving business processes
2. Reducing enterprise costs
3. Improving enterprise workforce effectiveness
4. Attracting and retaining new customers
5. Increasing the use of information / analytics
6. Creating new products or services (innovation)
7. Targeting customers and markets more effectively
8. Managing change initiatives
9. Expanding current customer relationships
10. Expanding into new markets or geographies
11. Consolidating business operations
12. Supporting regulation, reporting and compliance
13. Creating new sources of competitive advantage

Source: Gartner Research, Inc.
Source Materials & Further Reference

Business Alignment:


Governance:

3. Further information from: The IT Governance Institute (ITGI)—an independent, nonprofit organization that exists to assist enterprise leaders in their responsibility to ensure that IT is aligned with the business and delivers value. As part of its charter, it publishes the Control Objectives for Information and Related Technologies (COBIT) framework. Additional information can be found on its Web site. Source: IT Governance Institute (http://www.itgi.org).

Next Steps:

An Enterprise Architecture Business Case
APPLICATIONS DOMAIN
- What are my applications?
- Who owns them?
- What do they cost?
- What are their lifecycles?
- What is the functional overlap?
- What capabilities do they support?

TECHNOLOGY DOMAIN
- What are my technologies? What are their costs?
- Where are they deployed and in support of what?
- What is my technical debt?
- What are my lifecycles and roadmaps?
- What are my standards?

INFORMATION DOMAIN
- What information and data sources do I have in my company?
- Where do I have confidential information and what regulations is it subject to?
- What are my systems of record, where are my conflicts?
- What applications use what information?
- What business process, organizations and capabilities rely on what information?

STRATEGY DOMAIN
- What are my strategies?
- What are my goals?
- What is my investment disposition for my business capabilities?
- Are investments aligned to my strategy?

BUSINESS ARCHITECTURE DOMAIN
- What are my business capabilities, what is important and differentiating?
- How do my app and technology portfolios support by business capabilities?
- Where do I have gaps, how am I performing, how do I transform these capabilities?
- How are my business products and services supported by capabilities?

INVESTMENT DOMAIN
- What are current and planned investments?
- How do those investments impact my technologies and apps and therefore business capabilities?
- What are possible future states if I chose to execute some combination of planned projects?
- Am I doing the right things - Am I investing in things that differentiate me?

APPLICATIONS DOMAIN
- What are my applications?
- Who owns them?
- What do they cost?
- What are their lifecycles?
- What is the functional overlap?
- What capabilities do they support?
Enterprise Architecture...

- connects the dots of information throughout the enterprise
- enables informed decisions across the enterprise
- supports enterprise capabilities to realize transformation
Delivers a 360° view of the Mylan IT landscape and capabilities in the context of Business Strategy.

Organizes information into Intuitive portfolios and simplifies business analysis and role-based management of information.

Manages the relationships between architecture domains to gain line-of-sight, and a more robust understanding of the dimensional impacts of change.
What are my goals and strategies?

What is my investment disposition for my business capabilities?

Are investment plans and projects aligned to my strategy?

What programs support my highest priority strategies?
What are our business capabilities, what is important and differentiating?

How do our application and technology portfolios support our business capabilities?

Where do I have gaps in enabling our business capabilities? How do I plan to transform these capabilities?

How does the organization align?

How are our business and strategies supported by capabilities?
What are current and planned investments?

How are those investments aligned to our strategy and business capabilities?

How do those investments impact our technologies and apps and therefore business capabilities?

What are possible future states if we chose to execute some combination of planned projects?

Are we doing the right things – Are we investing in things that differentiate us?
What information and data sources do I have in my company?

Where do I have confidential information and what regulations is it subject to?

What are my systems of record, where are my conflicts?

What applications use what information?

What business process, organizations and capabilities rely on what information?
What are my applications?
Who owns them?
What do they cost?
What are their lifecycles?
What is the functional overlap of applications?
What capabilities do they support?
What are my technologies?
Where are they deployed and in support of what?
Who are my vendors?
What are there costs?
What is my technical debt?
What are my lifecycles and roadmaps?
What are my standards?