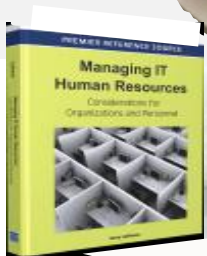
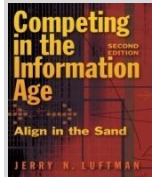


IT-Business Strategic Alignment Maturity

DED&M 2013



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➤ **Economy**

➤ **Interdependent World**

➤ **Sourcing Models**

(+ aging workforce, Millennials)

➤ **Natural Disasters**

➤ **Politics**

➤ **New Markets**

➤ **Terrorism/War(s)**

➤ **Big Data/BI**

➤ **Mobile, Social NW**

➤ **Consumerization, BYOD, Apps**

➤ **Cloud/Virtualization**



**THE
PERFECT STORM**

IT



6 IT HEADLINES



- 1. Focus on Swiftly Reducing Business Expenses & Revenue Generating Applications**
- 2. Budgets, Hiring, & Salaries More Cautious; Uncertainty vs Less Certain**
- 3. Domestic Hiring & Outsourcing Declining
Offshore Hiring & Outsourcing on the Rise**
- 4. Increased Attention to IT Infrastructure Spending**
- 5. Growing Cloud & Consumerization of IT**
- 6. IT Business Alignment Fundamental**



IT-Business Strategic Alignment Maturity



Why is it taking so long to address?



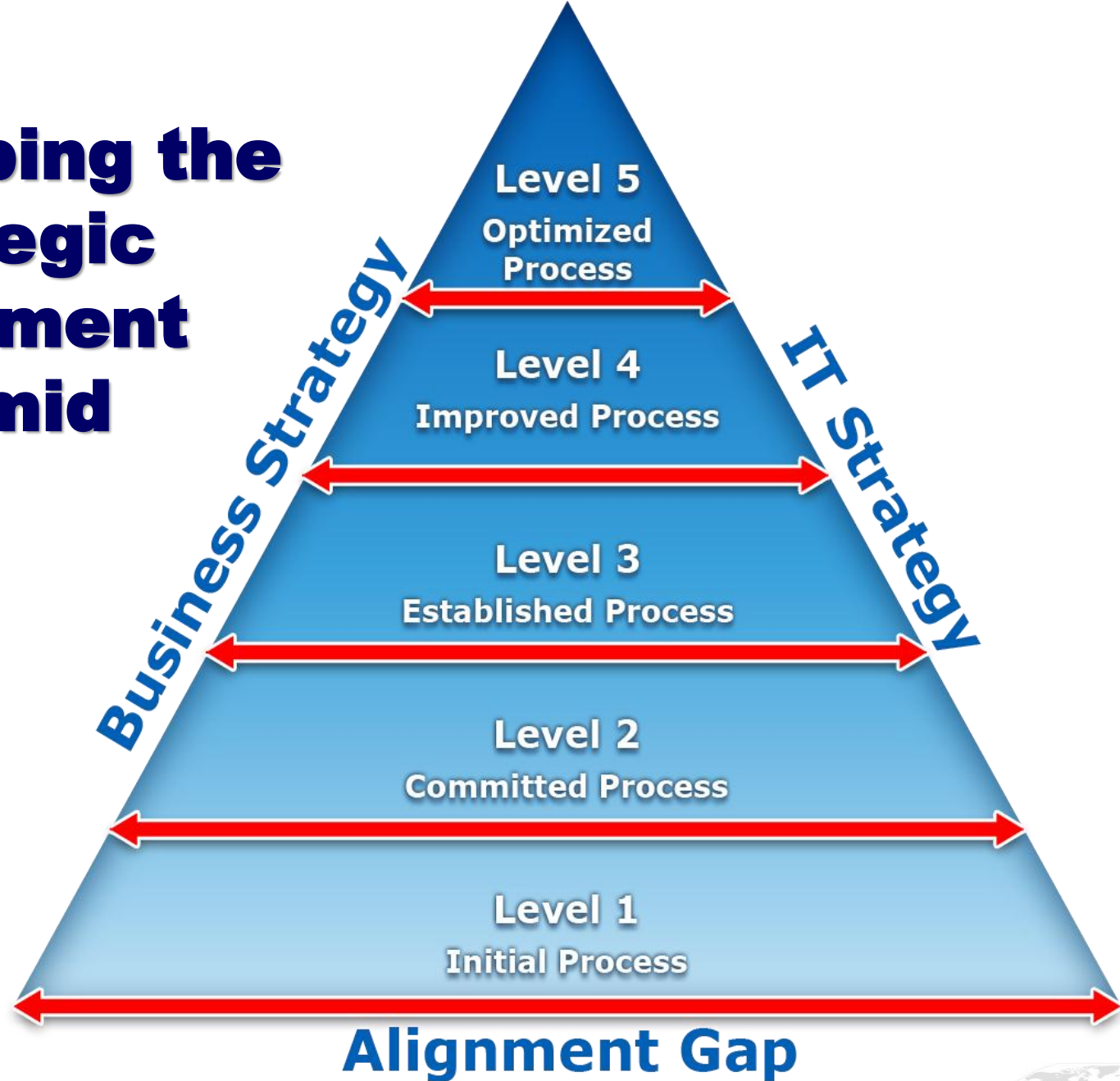
TOP IT MANAGEMENT CONCERNS 1980-2012

| IT Management concerns | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 1994 | 1990 | 1986 | 1985 | 1983 | 1980 |
|-------------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|----------|-----------|-----------|-----------|-----------|-----------|----------|-----------|-----------|
| Bus. productivity& cost reduction | 1 | 4 | 1 | 1 | 7 | 4 | | | | | | | | | | |
| IT and business alignment | 2 | 1 | 3 | 2 | 1 | 2 | 1 | 1 | 1 | 1 | 9 | 7 | 5 | 2 | 7 | 9 |
| Business agility & speed to market | 3 | 2 | 2 | 3 | 13 | 17 | 7 | | 5 | 7 | | | | | | |
| Revenue generating IT innovations | 4 | 9 | 6 | 8 | 17 | | | | | | | | | | | |
| IT cost reduction | 5 | 10 | 8 | 5 | 7 | 4 | | | | | | | | | | |
| IT Strategic planning | 6 | 5 | 6 | 7 | 3 | 8 | 4 | 4 | 4 | 2 | 10 | 3 | 1 | 1 | 1 | 1 |
| Business Process Reengineer. | 7 | 3 | 3 | 4 | 18 | 15 | 11 | 5 | 10 | 10 | 2 | | | | | |
| Enterprise architecture | 8 | 7 | 13 | 11 | 11 | 33 | 15 | 15 | 9 | 8 | 4 | 1 | 8 | | | |
| Security and privacy | 9 | 8 | 9 | 9 | 8 | 6 | 3 | 2 | 3 | 3 | | 19 | 18 | 6 | 14 | 12 |
| IT reliability and efficiency | 10 | 6 | 3 | 6 | | | | | | | | | | | | |
| Project management | 11 | 11 | 13 | 11 | 10 | 23 | 5 | 10 | | | | | | | | |
| Change management | 12 | 12 | 11 | 14 | 6 | 7 | 3 | 2 | 3 | 3 | | 19 | 18 | 6 | 14 | 12 |
| CIO leadership role | 13 | 14 | | 10 | 16 | 10 | | | | | | | | | | |
| Globalization | 14 | 13 | 10 | 15 | | | | | | | | | | | | |
| Knowledge management | 15 | 15 | 13 | 17 | | | | | | | | | | | | |
| IT HR considerations | 16 | 17 | 13 | 17 | | | | | | | | | | | | |
| Outsourcing/vendor management | 17 | 18 | 12 | 11 | | | | | | | | | | | | |
| IT organization design | 18 | 16 | | 15 | | | | | | | | | | | | |
| Sourcing decisions | 20 | 19 | 13 | 17 | | | | | | | | | | | | |

WHY DISCUSS IT-BUSINESS **STILL** **ALIGNMENT?**

1. Consider their organizations are not misaligned
2. Too often considered just IT aligned with the business
3. Semantics: alignment vs fused, linked, integrated, fit, harmony, converged, matched, melded, interwoven...
4. In search of mythical silver bullet
5. Focusing on infrastructure/architecture
6. How do you know if your alignment is “appropriate”?
7. Can we move from a descriptive vehicle to a prescriptive vehicle?

Climbing the Strategic Alignment Pyramid



COMMUNICATIONS

- Understanding of Business by IT
- Understanding of IT by Business
- Inter/Intraorganizational Learning/Education
- Protocol Rigidity
- Knowledge Sharing
- Liaison(s) effectiveness

COMPETENCY/VALUE MEASUREMENTS

- IT Metrics
- Business Metrics
- Balanced Metrics
- Service Level Agreements
- Benchmarking
- Formal Assessments/Reviews
- Continuous Improvement

GOVERNANCE

- Business Strategic Planning
- IT Strategic Planning
- Organization Structure
- Budgetary Control
- IT Investment Management
- Steering Committee(s)
- Prioritization Process

IT BUSINESS ALIGNMENT MATURITY CRITERIA

PARTNERSHIP

- Business Perception of IT Value
- Role of IT in Strategic Business Planning
- Shared Goals, Risk, Rewards/Penalties
- IT Program Management
- Relationship/Trust Style
- Business Sponsor/Champion

SCOPE & ARCHITECTURE

- Traditional, Enabler/Driver, External
- Standards Articulation
- Architectural Integration:
 - Functional Organization
 - Enterprise
 - Inter enterprise
- Architectural Transparency, Agility, Flexibility
- Manage Emerging Tech.

SKILLS

- Innovation, Entrepreneurship
- Cultural Locus of Power
- Management Style
- Change Readiness
- Career crossover; training/education
- Social, Political, Trusting Interpersonal Environment
- Hiring and retaining

Strategic Alignment Maturity Summary

Level 5

•Optimized process

- COMMUNICATIONS: Informal, pervasive
- COMPETENCY/VALUE: Extended to external partners
- GOVERNANCE: Integrated across the org & partners
- PARTNERSHIP: IT-business co-adaptive/improvisational
- SCOPE & ARCHITECTURE: Evolve with partners
- SKILLS: Education/careers/rewards across the organization

Level 4

•Improved/ managed process

- COMMUNICATIONS: Bonding, unified
- COMPETENCY/VALUE: Cost effective;Some partner value;Dashboard managed
- GOVERNANCE: Managed across the organization
- PARTNERSHIP: IT enables/drives business strategy
- SCOPE & ARCHITECTURE: Integrated with partners
- SKILLS: Shared risk & rewards

Level 3

•Established focused process

- COMMUNICATIONS: Good understanding; Emerging relaxed
- COMPETENCY/VALUE: Some cost effectiveness; Dashboard established
- GOVERNANCE: Relevant process across the organization
- PARTNERSHIP: IT seen as an asset; Process driver;Conflict seen as creative
- SCOPE & ARCHITECTURE: Integrated across the organization
- SKILLS: Emerging value service provider;Balanced tech & business hiring

Level 2

•Committed process

- COMMUNICATIONS: Limited business/IT understanding
- COMPETENCY/VALUE: Functional cost efficiency
- GOVERNANCE: Tactical at Functional level,occasional responsive
- PARTNERSHIP: IT emerging as an asset; Process enabler
- SCOPE & ARCHITECTURE: Transaction (e.g., ESS, DSS)
- SKILLS: Differs across functional organizations

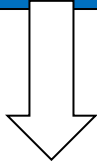
Level 1

•Initial/Ad-Hoc process

- COMMUNICATIONS: Business/IT lack understanding
- COMPETENCY/VALUE: Some technical measurements
- GOVERNANCE: No formal process,cost center, reactive priorities
- PARTNERSHIP: Conflict; IT a cost of doing business
- SCOPE & ARCHITECTURE: Traditional (e.g., acctng, email)
- SKILLS: IT takes risk, little reward; Technical training

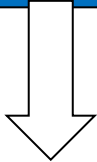
Value Measurements

- Customer & Provider Metrics (tech. & bus.) for services
- SLA & Management Process
- Benchmarks
- Formal Assessments & Improvement Reviews



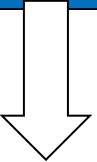
Governance

- Use of Joint Strategic, Tactical & Operational Committees
- Formal/Informal Mechanisms
- Prioritization Process
- Resource Allocation Process
- Statutory & Regulatory Requirements

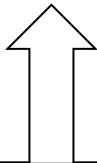


Partnership

- Role of Provider in Customer Strategy & Planning
- Shared Goals, Risks, Rewards/Penalties
- Mutual Trust
- Formal & Informal Agreements
- Joint Sponsor & Champions

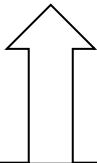


CUSTOMER-PROVIDER ALIGNMENT MATURITY CRITERIA



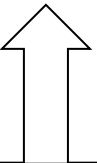
Communications

- Customer Understanding of Provider
- Provider Understanding of Customer
- Organizational Learning & Knowledge Sharing
- Customer-Provider Liaison



Human Resources & Skills

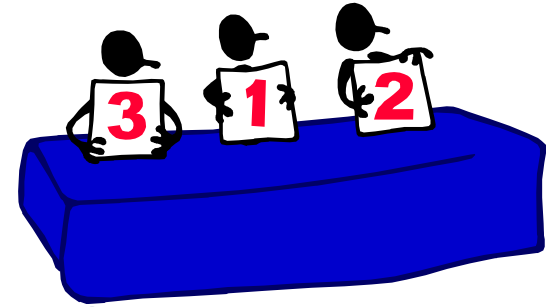
- Technical & Business Skills of Customer & Provider
- Cultural Match
- Change Readiness
- Cross Training/Education
- Hiring/Retaining; Skills Management & Portfolio



Scope & Architecture

- Architectural Agility, Transparency, Flexibility
- Standards Adherence
- Impact of Provider Services on Customer & its Partners

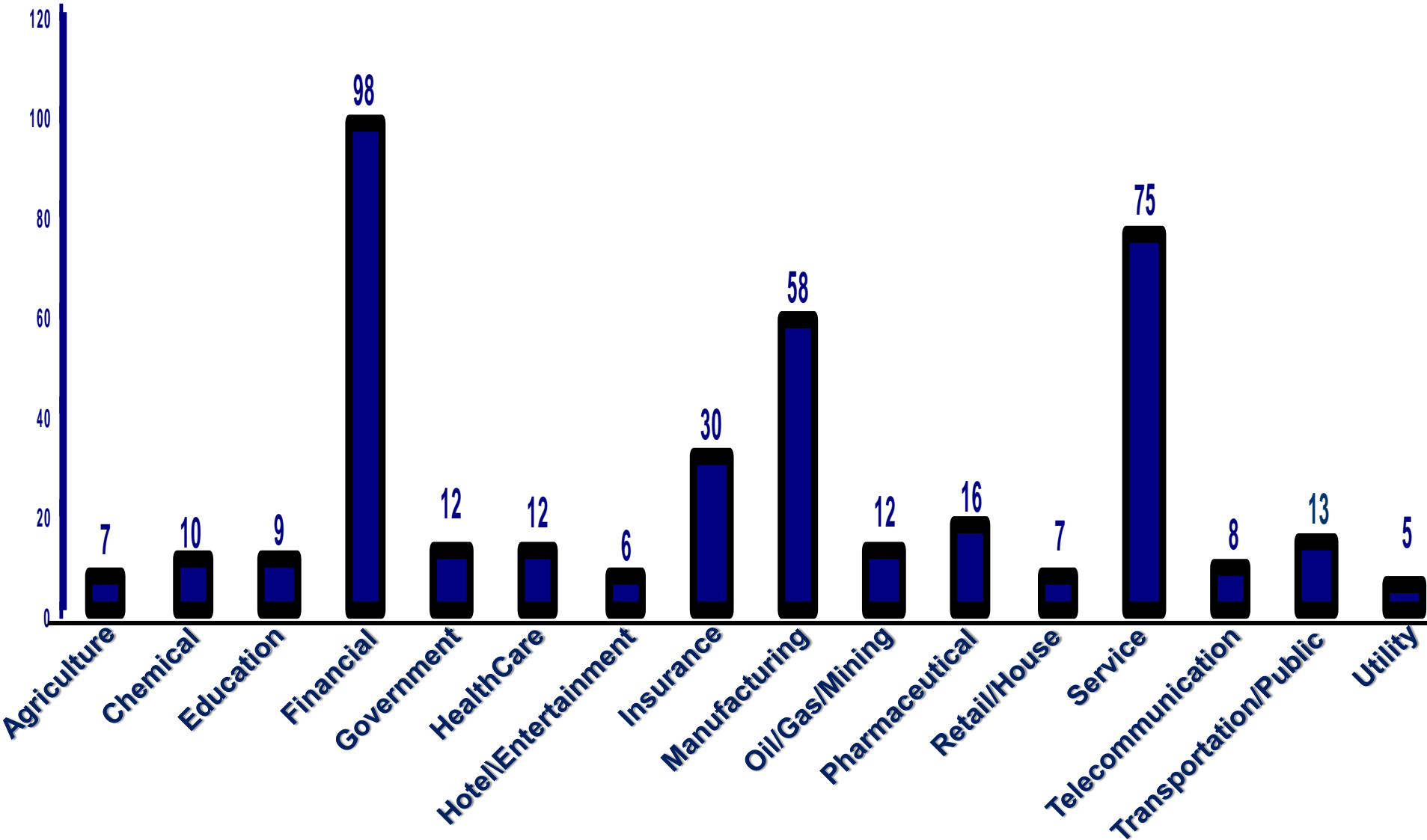
IT IS NOT JUST THE LEVEL OF MATURITY



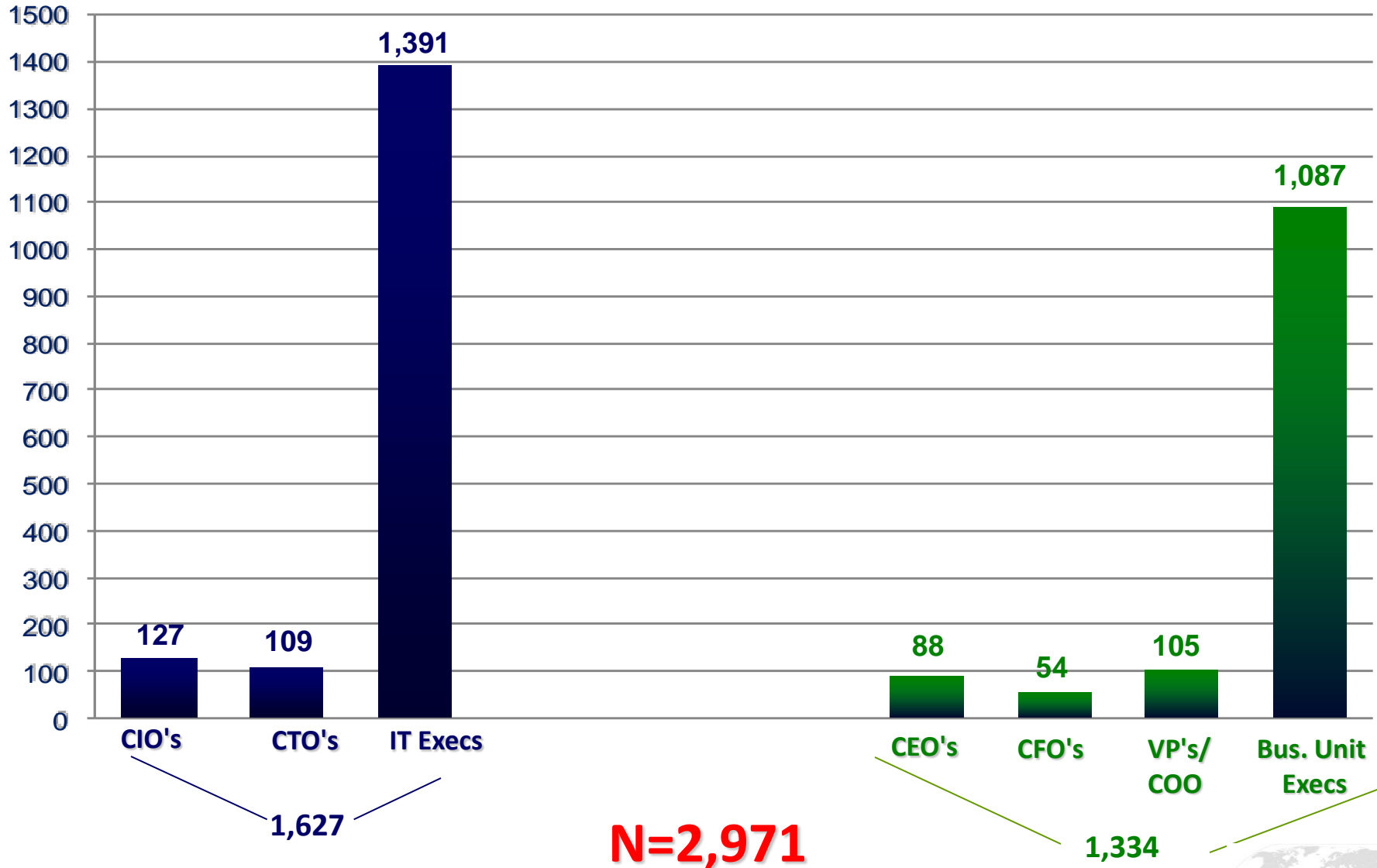
- Where is the organization strong/weak?
- Where is there disagreement?
- What are the implications?
- What can be done to improve the maturity level (prescriptive)?
- It opens the door to discuss alignment

Industry Classification

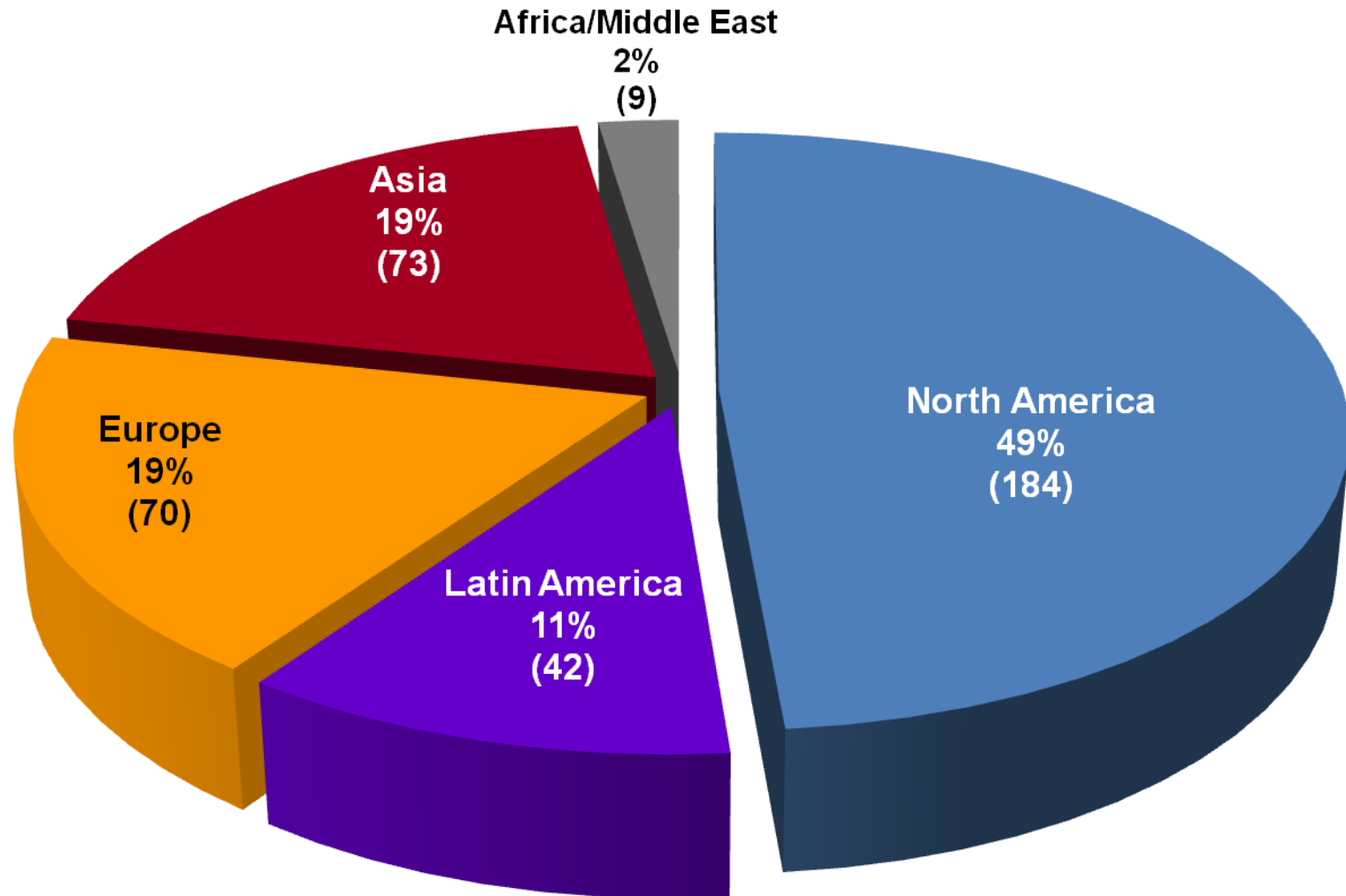
Global 1,000 Companies **N= 379**



SAM Participants Profile

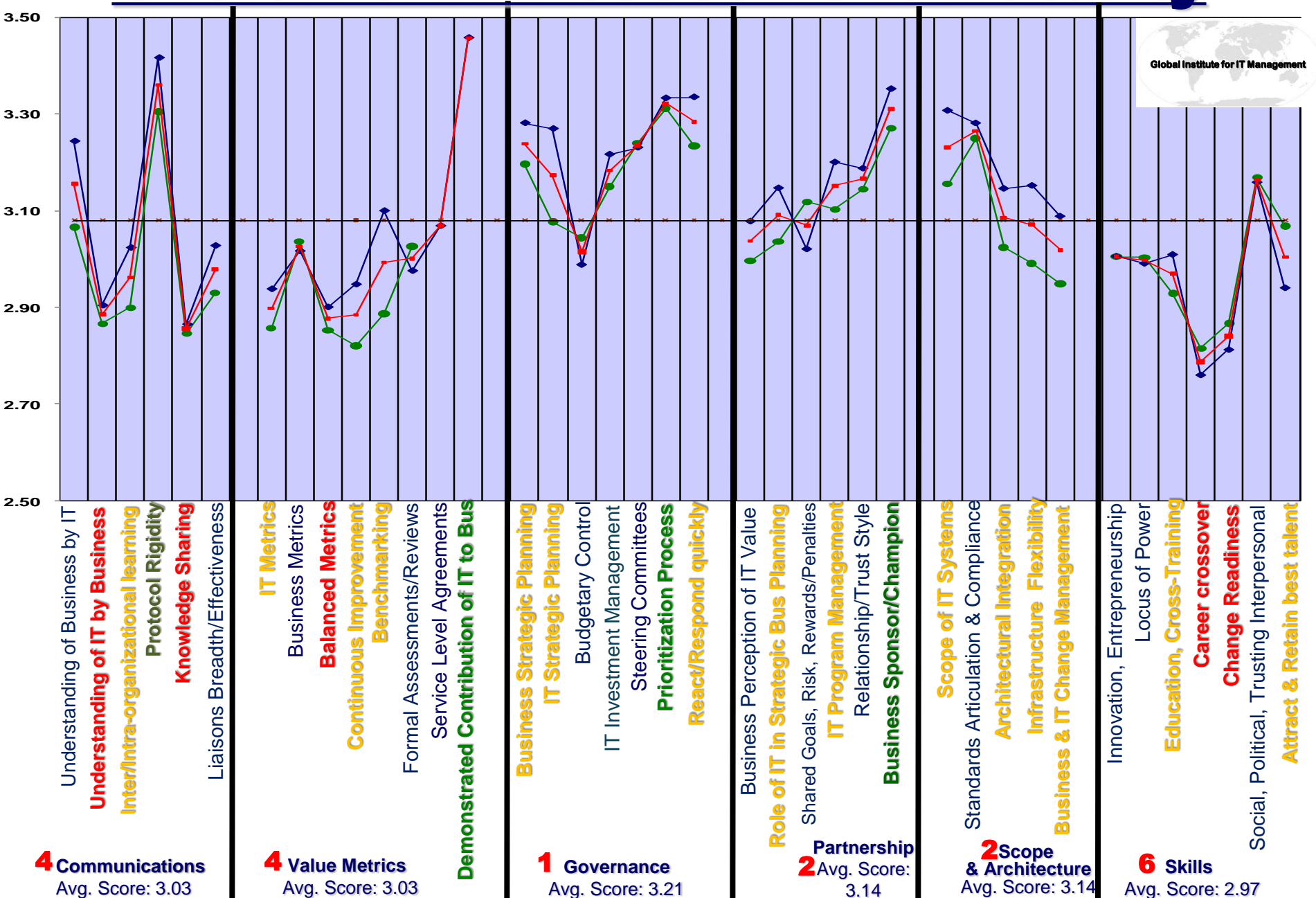


SAM Geographic Participation



Total Number Of Companies = 378

Overall SAM Assessment Maturity



* Overall Alignment Average Score: 3.09

◆ IT ● BUS ■ Average



HIGHEST ELEMENTS

Averages

- | | |
|--|------|
| 1. Demonstrated Contribution of IT to Business | 3.48 |
| 2. Protocol Rigidity | 3.36 |
| 3. Prioritization Process | 3.32 |
| 4. Business Sponsor/Champion | 3.23 |

3.09

3.09



LOWEST ELEMENTS

Averages

- | | |
|------------------------------------|------|
| 1. Career Crossover | 2.79 |
| 2. Change Readiness | 2.84 |
| 3. Knowledge Sharing | 2.86 |
| 4. Balanced Metrics | 2.88 |
| 5. Understanding of IT by business | 2.89 |



Geography: Maturity by Component

| Geography | Number of Companies | COMMUNICATION | COMPETENCY | GOVERNANCE | PARTNERSHIP | SCOPE OF IT ARCHITECTURE | SKILLS | Overall Average |
|--------------------|---------------------|---------------|------------|------------|-------------|--------------------------|--------|-----------------|
| Middle East/Africa | 9 | 2.15 | 2.29 | 1.98 | 2.24 | 1.86 | 2.33 | 2.14 |
| USA | 184 | 2.86 | 2.87 | 3.06 | 2.96 | 2.98 | 2.77 | 2.92 |
| Europe | 70 | 2.98 | 2.89 | 3.20 | 3.15 | 3.07 | 2.93 | 3.04 |
| Latin America | 42 | 3.22 | 3.12 | 3.09 | 3.24 | 3.33 | 3.13 | 3.19 |
| Asia | 73 | 3.49 | 3.55 | 3.68 | 3.59 | 3.58 | 3.46 | 3.56 |

378

Overall Alignment Average Score: 3.09

EUROPE



Alignment Average Score: 2.80

HIGHEST ELEMENTS

1. Protocol Rigidity
2. Business Strategic Planning
3. IT Strategic Planning
4. Business Sponsor/Champion
5. IT Program Management

Averages

3.50
3.40
3.40
3.37
3.30

LOWEST ELEMENTS

1. Knowledge Sharing
2. Balanced Metrics
3. IT Metrics
1. Education, Cross-Training
2. Budgetary Control

Averages

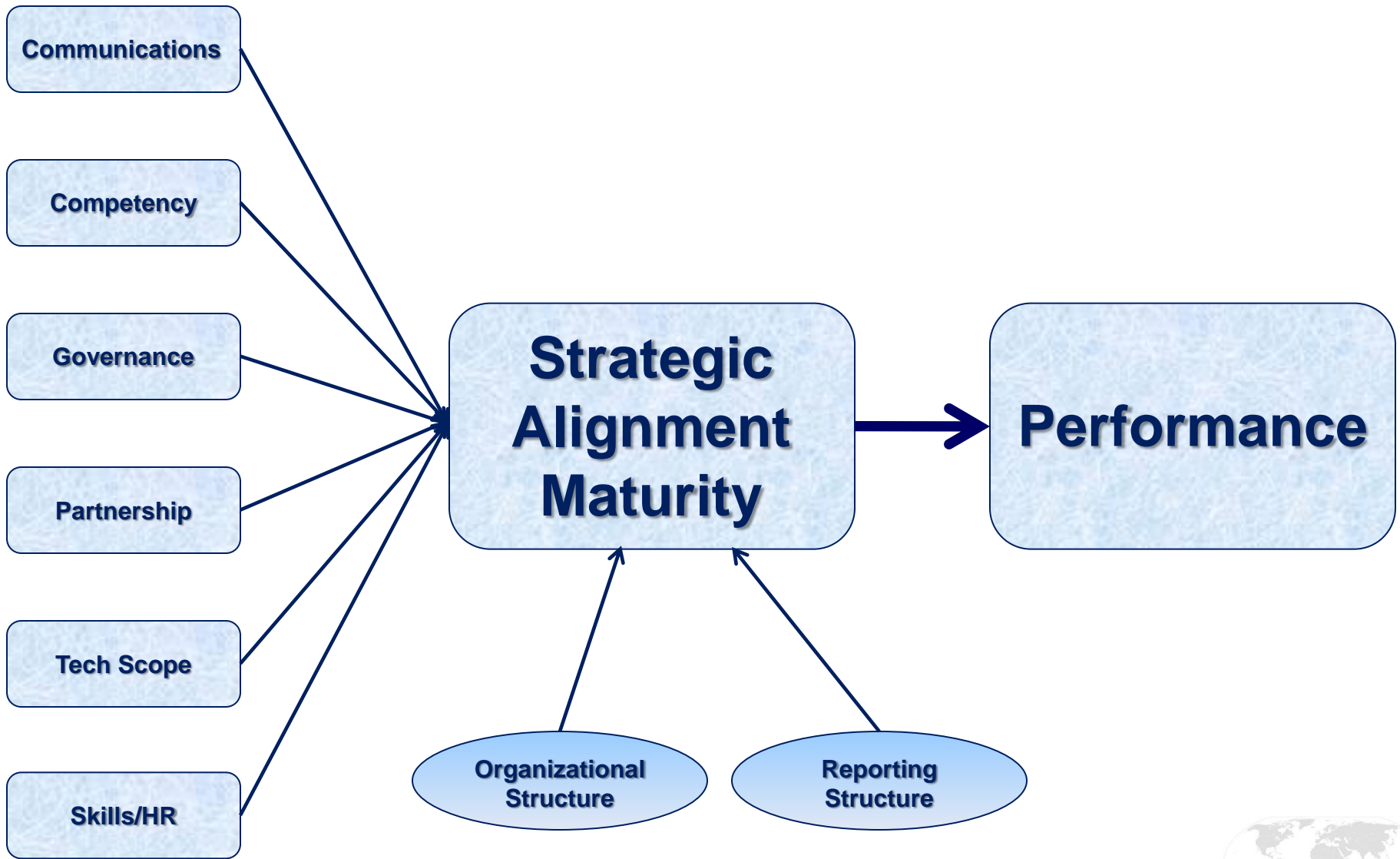
2.47
2.65
2.73
2.74
2.77

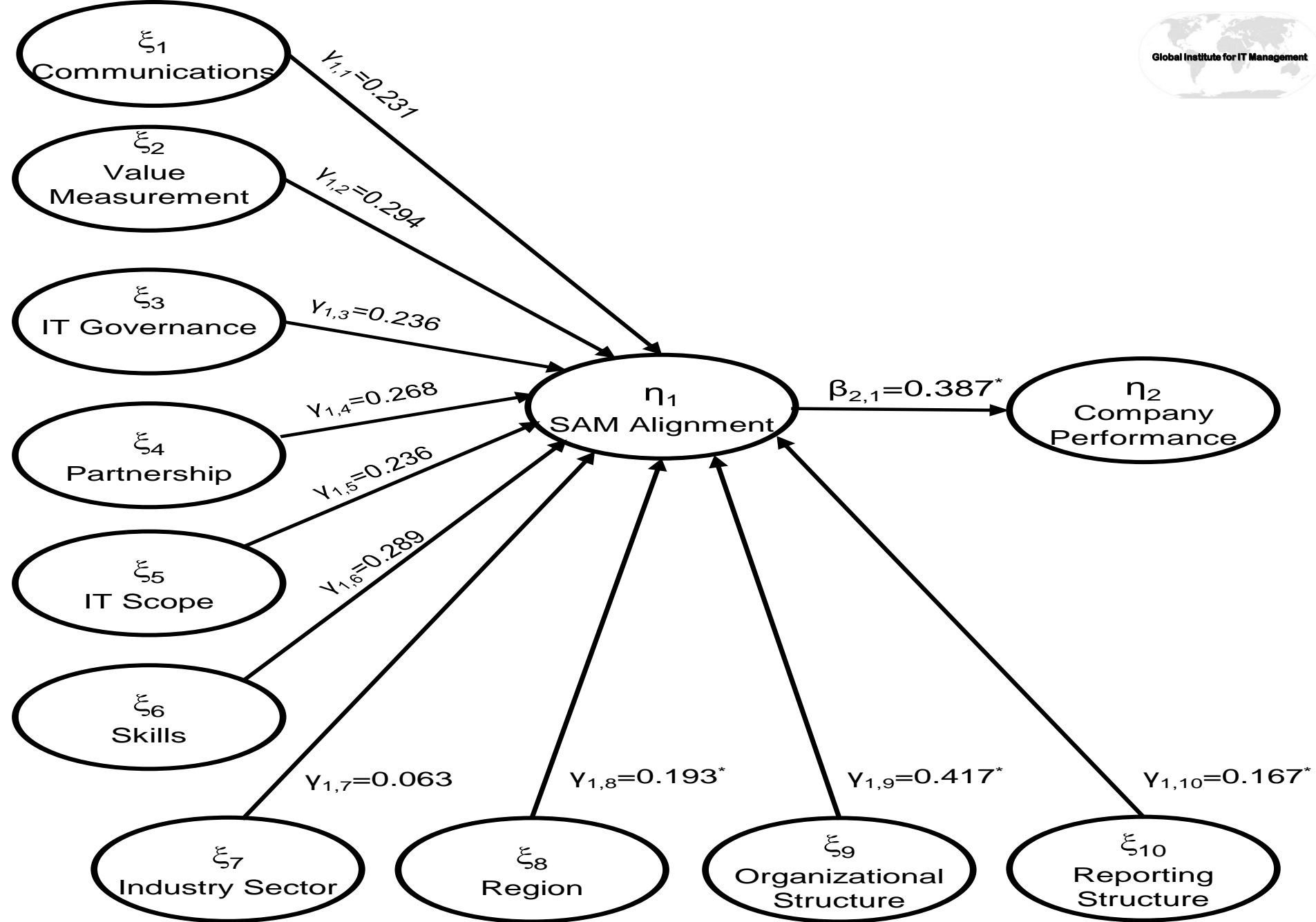
Industry Maturity Levels By Component

| Industry Name | # of Companies | Communications | Analytics | Govern. | Partnership | Tech. Scope | Skills | OVERALL AVERAGE |
|---------------------|----------------|----------------|-----------|---------|-------------|-------------|--------|-----------------|
| Retail | 7 | 3.37 | 3.41 | 3.57 | 3.64 | 3.71 | 3.31 | 3.50 |
| Services | 75 | 3.38 | 3.45 | 3.55 | 3.58 | 3.48 | 3.52 | 3.49 |
| Hotel/Entertainment | 19 | 3.32 | 3.47 | 3.52 | 3.56 | 3.68 | 3.35 | 3.48 |
| Manufacturing | 58 | 3.21 | 3.17 | 3.22 | 3.15 | 3.21 | 3.07 | 3.17 |
| Government | 12 | 2.92 | 2.92 | 3.17 | 3.18 | 3.1 | 2.87 | 3.02 |
| Utility | 5 | 3.07 | 3.22 | 2.7 | 2.77 | 3.37 | 2.82 | 2.99 |
| Transportation | 21 | 2.92 | 3.05 | 3.05 | 2.97 | 3.16 | 2.8 | 2.99 |
| Pharmaceutical | 16 | 2.93 | 2.8 | 2.99 | 2.96 | 3.11 | 2.91 | 2.95 |
| Healthcare | 12 | 2.89 | 2.84 | 3.04 | 2.99 | 3.04 | 2.86 | 2.94 |
| Finance | 98 | 2.91 | 2.83 | 3.1 | 3.06 | 2.96 | 2.78 | 2.94 |
| Telecom | 8 | 2.7 | 2.85 | 3.08 | 2.89 | 3.26 | 2.87 | 2.94 |
| oil/gas/mining | 12 | 2.77 | 3.02 | 2.95 | 2.81 | 2.91 | 2.78 | 2.87 |
| Education | 9 | 2.88 | 2.72 | 3.01 | 2.98 | 2.76 | 2.8 | 2.86 |
| Insurance | 30 | 2.81 | 2.76 | 3.2 | 2.89 | 2.88 | 2.56 | 2.85 |
| Chemical | 10 | 2.7 | 2.63 | 2.94 | 2.68 | 3.07 | 2.35 | 2.73 |
| Agriculture | 7 | 2.54 | 2.61 | 3.13 | 2.63 | 2.5 | 2.41 | 2.64 |

Overall Alignment Average Score: 3.09

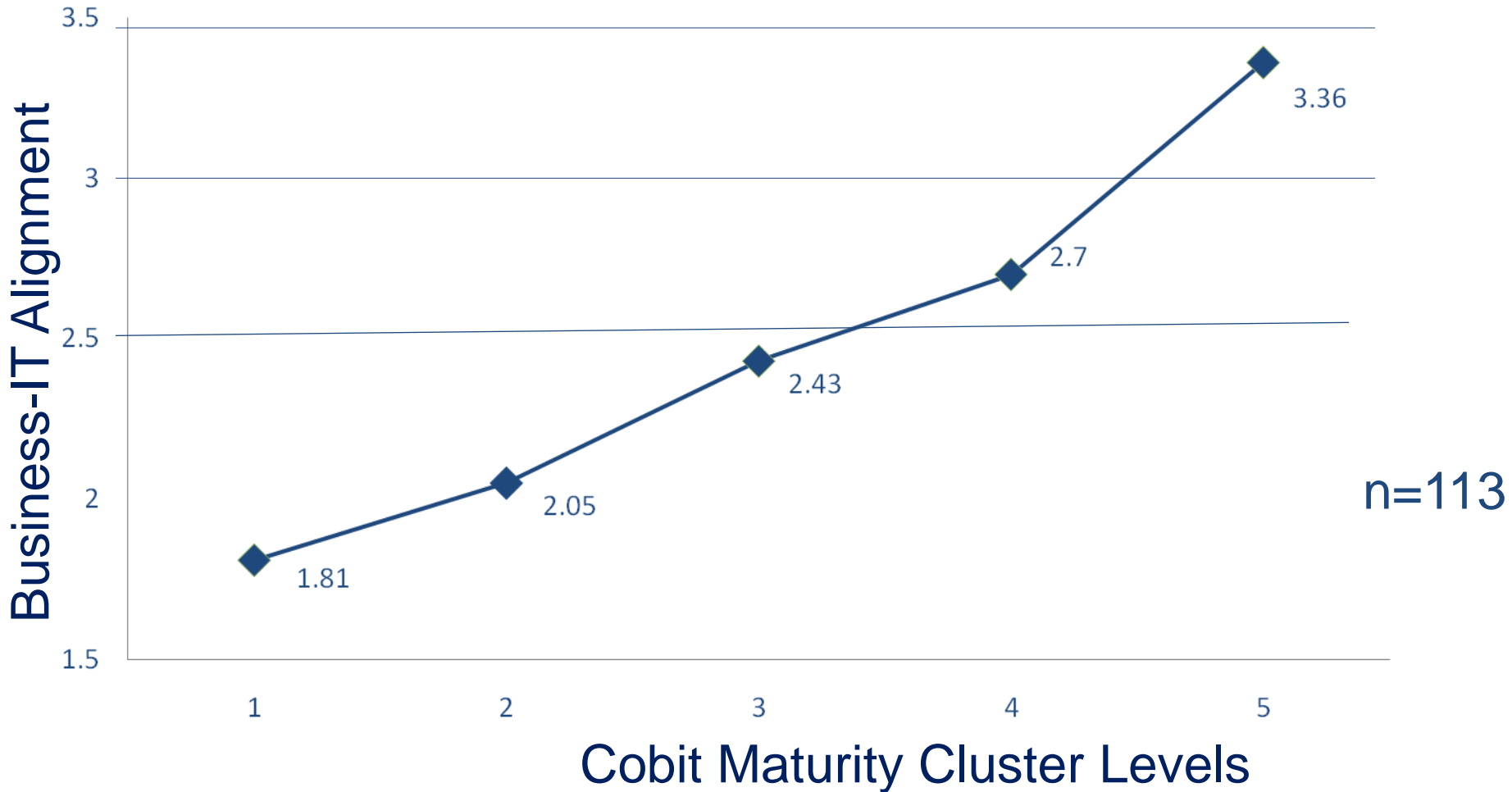
SAM Performance Framework



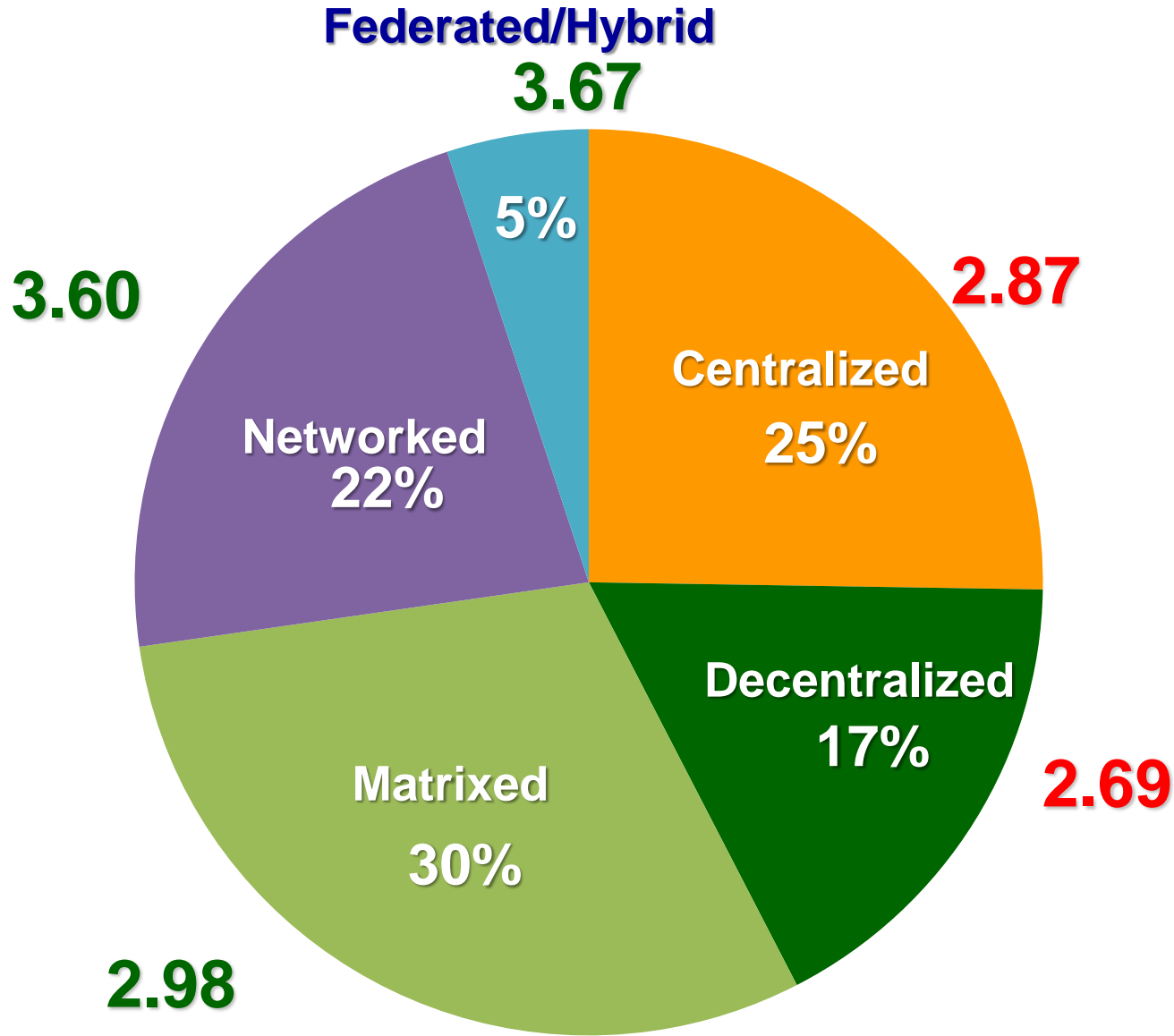


* $p < 0.001$

Cobit & Business-IT Alignment

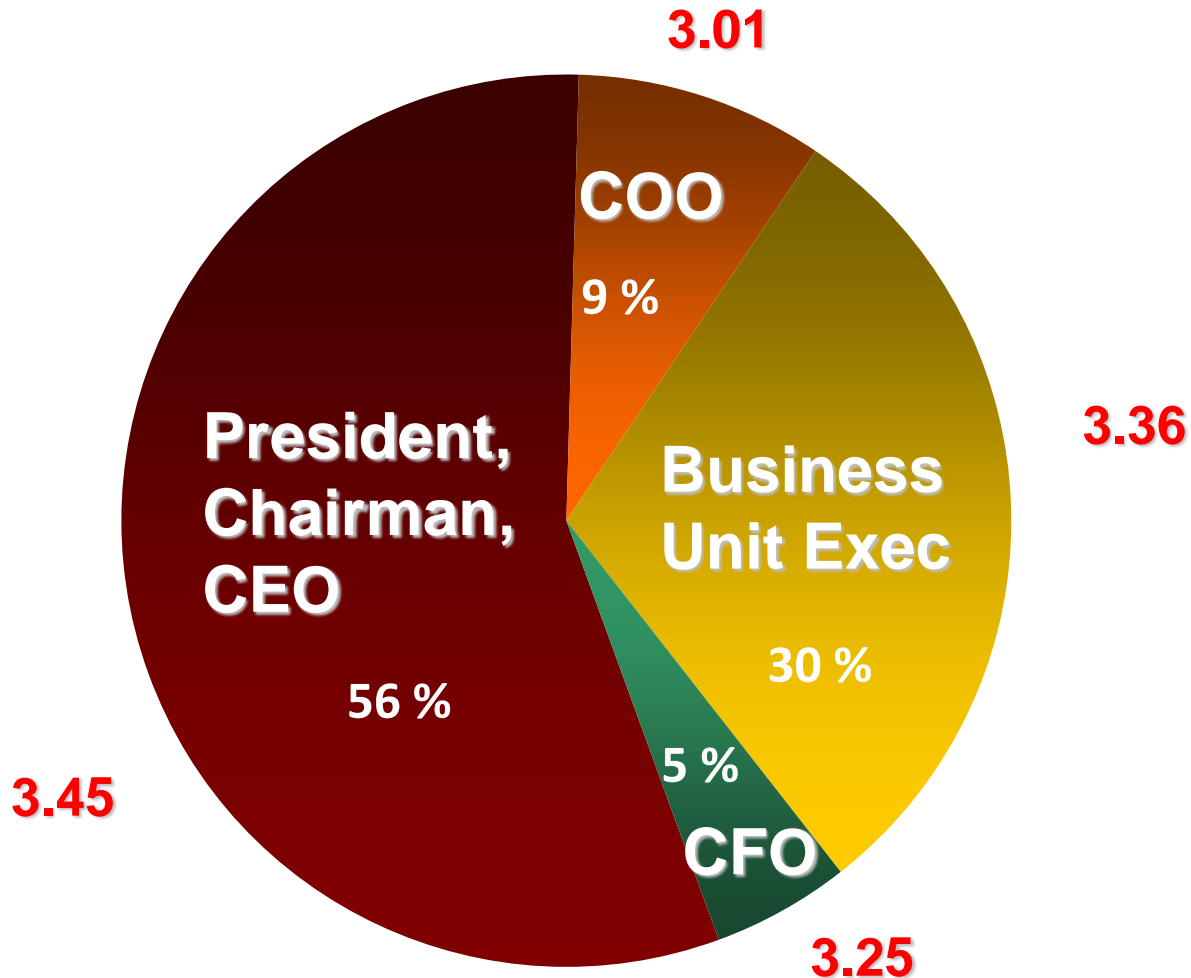


Organization Structure



Alignment Maturity 3.09

CIO Reporting Structure



Alignment Maturity 3.09



Open up the door to improve the relationship of IT & Business!