What is IT-Business Alignment?

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DEFINING IT-BUSINESS ALIGNMENT

IT-Business Alignment is the dynamic state of a business when it effectively uses Information Technology ("IT") to achieve overall business objectives.   IT-Business Alignment involves the correlation between the business objectives and the IT requirements of an organization. Maintained over time, IT-Business Alignment is crucial to the success of a business, with flexible business plans and IT architectures acting as key components of alignment effort. IT-Business Alignment can also be seen as the capacity to demonstrate a positive relationship between IT and the customers of IT within the business–groups that often struggle to unite because of differences in goals, culture, and incentive.

PROBLEMS WITH MISALIGNMENT

Aligning IT with business strategy has been an ongoing topic of discussion among IT executives for many years. Although the issue has been recognized as an ongoing concern within organizations for decades, very little has been done to foster the alignment. Alignment entails more than the executive level communication of business strategy to IT; IT-Business Alignment requires action from both IT and the business enterprise to ensure IT delivers services that directly contribute to the delivery of business outcomes.

Most organizations today require some form of technology to support their business processes. In order to deliver products and services to the end customer, businesses increasingly depend upon the resources and capabilities of IT, especially when there is a need to enable a desired business outcome. Whether oriented towards improving financial performance or increasing market share, it is during this need for business process automation where organizations truly recognize the value provided by IT services.

Nonetheless, a disconnect often exists between IT and other business units because of differences in cultural and structural barriers, as well as differing departmental objectives and goals. It is not unusual for an organization to experience a blame culture between business units and IT due to misperception. Additionally, the consequences of misalignment reach beyond an organization's corporate culture; organizations that fail to strategically align IT and business strategy face increasing financial costs, as the organization is unable to invest IT dollars wisely. When IT within a business is not perceived as an enabler of business strategy, IT is not viewed as the provider of choice and ultimately risks being outsourced to a third party vendor.

Efforts taken toward IT-Business Alignment stem from the desire to establish trust between a business's units and IT that provides a mechanism for unanimous decision-making, which supports the business. Alignment can imply separate entities on parallel paths, but IT-Business Alignment refers more to an integrated targeted state that allies IT and Business to achieve desired business outcomes.

CURRENT CHALLENGES WITH IT-BUSINESS ALIGNMENT

Quite often IT strategic goals and objectives are not in direct support of the business' goals and objectives. Not only does IT not speak the language of the business, but there is no meeting of the minds between what the business wants and what IT delivers as services. Most organizations have metrics that are technology focused, which have no meaning to the customers. For example, IT often focuses on measuring availability of components such as servers, networks and applications and not the end-to-end delivery of IT services.

Organizations often struggle with alignment because of the differences of expectations between business units and the failure of these units to work as partners towards common goals. Ultimately, when IT acts as a separate, stand-alone business, the rest of the enterprise will treat it as a vendor not as a partner. An organization's lack of IT-Business Alignment is not to blame solely on IT as both IT and the business are stakeholders in fostering alignment. The business has an equal responsibility for bringing about alignment; however, many IT decisions are often driven by business executives who may have a limited understanding of IT. Their expectations are that technology will enhance revenue through efficiency gains or new customer sources. In some cases they do, but in most, the costs offset the gains.

KEY SUCCESS FACTORS FOR IT-BUSINESS ALIGNMENT

Service Portfolio Management enables the business to make sound decisions about IT investments. Services should not be implemented because they are an industry standard but because there is a good business case demonstrating a clear return on investment. It is the responsibility of Service Portfolio Management to compare the outcomes that are expected by the customer with the investment required by the business to build and deliver the service.

Service Strategy, as defined by the ITIL® Service Strategy Book, *defines the perspective, position, plans and patterns that a service provider needs to execute to meet an organization's business outcomes.* Service Strategy sets the broad direction for the design of services and the objectives that services need to achieve. Service Strategy also defines the specific outcomes that the designed services need to achieve when the service is operational.

Continual Service Improvement ("CSI") takes its lead from Service Strategy using the defined strategies and desired outcomes as a basis for evaluating the successfulness of services. At the same time, CSI acts as an initiator of strategy. Through continual assessment and measurement, CSI assists in determining where a strategy needs to be changed and how it can be made more effective. CSI also detects changes in the use and outcomes of services and determines the ongoing relevance of services.

Business Relationship Management ("BRM") enables links between the service provider and customers at the strategic and tactical levels. BRM establishes and maintains a business relationship between the service provider and the customer by understanding the customer and their business needs. BRM also aligns the objectives of the business with the activity of the service provider and achieves outcomes as required by the business.

Service Level Management ("SLM") ensures that all current and planned IT services are delivered to agreed-upon and achievable targets. This is accomplished through a constant cycle of negotiating, agreeing, reporting on, monitoring and reviewing of IT service targets and achievements, and through the initiation of corrective actions or improvement of the level of service delivered.

CRITICAL SUCCESS FACTORS FOR IT-BUSINESS ALIGNMENT

- Partnership between IT and the business customers with a shared understanding of how IT services and technologies will contribute to business objectives

- A Service Portfolio Management process to ensure that the Service Portfolio has the right mix of IT services to enable business outcomes, authorize and prioritize IT investments; namely a shared focus on where to expend IT resources and capabilities

- A well-established Business Relationship Management process and Business Relationship Manager role to develop and maintain a credible working relationship and open communication between the IT organization and the business

- A well-established Service Level Management process to ensure:

  o there is a clear understanding of what the business requires and what IT is willing to provide

  o agreed upon targets on service level agreements are met

  o corrective action is taken when deficiencies occur

- Service Level Management is a process that defines the success of an IT organization

STARTING WITH STRATEGY

To align IT with the business, it is recommended to begin with the development of an IT strategy that will articulate the department's objectives, define how the department will meet those objectives and articulate how the department will know it has met those objectives. A well-defined and managed IT strategy ensures that the resources and capabilities of the organization are aligned to desired business outcomes by matching IT investments with the organization's intended development and growth plan.

An effective IT strategy also ensures that IT has the appropriate set of services in its Service Portfolio, that its services have a clear purpose and everyone in the service provider organization knows their role in achieving that purpose. Strategy Management for IT services further encourages appropriate levels of investment, which will result in cost savings, since investments and expenditures are matched to achievement of validated business objectives rather than unsubstantiated demands. Effective IT strategy can also result in increased levels of investment for key projects or service improvements. Shifting investment priorities can also happen when an IT strategy is effectively aligned with the business. The service provider will be able to de-focus attention from one service and re-focus on another, ensuring that their efforts and budget are spent on the areas with the highest level of business impact.

While a strategy can be developed, IT organizations should consider the development and implementation of a Business Relationship Management Process and a process to execute the strategy while ensuring IT continues to add value to the business.

Service Level Management provides a consistent interface to the business for all service-level-related issues. IT provides the business with the agreed service targets and the required management information to ensure that those targets have been met. Where targets are breached, Service Level Management provides feedback on the cause of the breach and details of the actions taken to prevent the breach from recurring. Service Level Management thus provides a reliable communication channel and a trusted relationship with the appropriate customers and business representatives at a tactical level.

CONCLUSION

With the increasing reliance on Information Technology and the necessity of IT services, IT-Business Alignment is now a necessary mindset of successful IT companies. For IT-Business Alignment to succeed in any size organization it should be viewed as not only a strategy and set of best practices but as a company mandate that furthers a partnership with IT and Business.

The alignment of IT and business strategy is a difficult challenge for many organizations, especially considering the immediate performance that is often expected of professionals. It is without question that IT-Business Alignment has been utilized by organizations to create and improve efficiencies, reduce costs and ultimately create value to the business. When taking on the challenge of alignment, organizations should remember that IT-Business Alignment needs to be re-evaluated and reviewed at least annually and especially during modifications in corporate direction. For alignment to work, an organization's culture must embrace IT as an enabler and integral part of the long-term success of the organization.