

CUSTOMER NEEDS AND STRATEGIES

The Performance Stakes: Who's Accountable for IT's Business Value?

Margaret Tanaszi

IDC OPINION

IDC believes that everyone in the organization has a stake in how well it makes use of IT resources for the benefit of the business. For this reason, we consider three key stakeholder groups to be responsible for the interrelated actions that deliver IT-based business results: senior management, the IT organization, and lines of business. We also believe that the complementary accountabilities of these groups for their part in the results are essential for assuring positive outcomes. IDC recommends the following for organizations seeking to improve IT/business alignment:

- Senior management should set the direction for greater integration between IT and business.
 - To underscore its credibility, the IT organization should be on top of business needs, provide a service framework, and validate performance results.
 - Lines of business should actively contribute to improving IT's effectiveness in the business through business planning, participation in developing IT solutions, and undertaking associated activities to integrate IT capabilities into work methods.
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IN THIS STUDY

This IDC study examines the issue of IT-related business performance from the point of view of accountability. It outlines the key accountabilities of three key stakeholder groups — senior management, the IT organization, and lines of business — for promoting better alignment between IT and business interests to achieve greater business effectiveness from IT-related business initiatives.

The study makes reference to a recent Accenture study on IT productivity and concludes with recommendations for greater IT/business alignment through the complementary accountabilities of key organizational groups.

Executive Summary

Getting the most from IT resources is one of the biggest challenges for senior management in business today. Management of the organizations facing this challenge should map the relationship of the factors that can affect IT-related business results and then take actions to improve how those factors work together.

In many cases, IT initiatives meant to improve business functionality and outcomes fall short of expectations in a number of ways (e.g., cost overruns, schedule delays, uncoordinated activities, and underused or wrongly used capabilities). Unsatisfactory business results from IT initiatives raise a number of critical issues and questions: Who is to blame? Is it the right solution? How is the IT solution being used? What are the business results? How well do regular IT operations support business objectives?

Accenture recently conducted an interesting study on perceptions about business productivity associated with IT capabilities. The key finding of Accenture's *IT Productivity Study* is that business managers and IT executives hold parallel views in two key areas:

- ☒ Company productivity has increased in the past few years, primarily due to four factors: better use of technology, right amount of investment in technology, cost-cutting measures, and business process reengineering.
- ☒ Still, many business managers and IT executives do not really know how to make IT and real business value mesh in a truly accountable way.

One question in the study asked respondents the extent to which they agreed or disagreed that certain statements described their company, among them, "We don't really know how to make IT accountable for creating real business value and increase productivity." The summarized findings stated "about half of both groups agree that they don't really know how to make IT accountable." IDC questions whether the accountability for business results is properly lodged in the IT organization. We believe a better approach would be to explore which various parts of the organization, including IT, could be made accountable for IT-based business results and in what ways. IT should bear the full burden of success.

IDC believes that the ability of organizations to successfully integrate IT and business interests to generate better business results rests on the many complementary responsibilities (and accountabilities) in the organization. We consider three key stakeholder groups to be responsible for the interrelated actions that deliver IT-based business results: senior management, the IT organization, and lines of business. We also believe that the complementary accountabilities of these groups for their part in the results are essential for assuring positive outcomes.

In our view, the organization's leadership has responsibility and is accountable for three key actions to promote IT/business alignment, which in turn can lead to better execution of both IT and business responsibilities. They are:

- ☒ Marshalling senior organizational elements to drive alignment
- ☒ Promoting the education of both IT and business about the other's interests
- ☒ Launching a pilot project to promote IT/business collaboration

Some IT organizations are still perceived to be underdelivering relative to IT spend. The first remedial action, of course, is to fix the shortcomings, if any, to provide reliable IT services and project installations. We believe there are three critical actions for IT to take that will develop its credibility, which can make it easier to create effective IT/business alignment:

- ☒ Understanding the business
- ☒ Establishing a framework for IT services
- ☒ Validating outcomes

Some business-side professionals remain unconvinced of the direct link between IT investment and business value. What lines of business may not appreciate is how their own actions could contribute to increasing the business value of IT investments.

IDC believes that the actions of the business elements of the organization play a big part in bringing about positive IT-related business outcomes. We believe there are three critical actions for businesses to take that will improve IT's effectiveness in the business, as illustrated in Figure 3. They are:

- ☒ IT-related business planning
- ☒ Participation in IT-related activities
- ☒ Contributions to IT-related business outcomes

Improving the effectiveness of IT for the business is becoming a critical strategy for organizations in this business climate. What looks like a yawning gap between bytes and profitability is really the new imperative in business — to mesh business and technology into effective operations. Better alignment of IT and business interests can increase the likelihood that there will be greater understanding of how to use IT resources for the greatest business effectiveness and improve business outcomes.

What lines of business may not appreciate is how their own actions could contribute to increasing the business value of IT investments.

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SITUATION OVERVIEW

Management Challenges

Getting the most from IT resources is one of the biggest challenges for senior management in business today. Management of the organizations facing this challenge should map the relationship of the factors that can affect IT-related business results and then take actions to improve how those factors work together.

The Problem: Falling Short

In many cases, IT initiatives meant to improve business functionality and outcomes fall short of expectations in a number of ways (e.g., cost overruns, schedule delays, uncoordinated activities, and underused or wrongly used capabilities). In the end, the expected business benefits do not materialize (or not to the extent the planners hoped). Worse, no one knows if or how well anticipated effects were achieved because no one evaluated the results. Unsatisfactory business results from IT initiatives raise a number of critical issues and questions, which are discussed in the following sections.

Who Is to Blame?

It is easy to blame the IT organization for IT-related shortcomings. For certain failings, of course, the blame may be justified. IT may have produced a clanger, either because of internal problems or unforeseen circumstances. However, shunting all the responsibility to the IT organization for poor business results from IT installations is unwarranted. IT does not work in isolation from the business; it has become the heart of the business. Excepting obvious IT implementation failures, the business side of the organization cannot be excluded from responsibility for translating IT capabilities into business results.

Is It the Right Solution?

How well do the planners (both business and IT) understand the important parameters of the project and their relation to the business drivers the project is meant to serve? How certain are they (based on understanding, research, and analysis) that the project is the right solution for the right problem/job?

How Is the IT Solution Being Used?

Are the IT capabilities generated by the initiative being used by internal business customers (or external ones, for that matter) to their greatest effectiveness? Are they applied suboptimally? Do they mesh well with related business processes? Do they have negative impacts elsewhere in the organization?

What Are the Business Results?

When the project has been implemented and in production for some time, is it tracked (and how well is it tracked) to determine its business effects, cost-effectiveness, and bottom-line value to the company? Is there a postimplementation review? Who participates in the review? Is this assessment carried out against business case

expectations? If shortcomings are found, can they be traced back to underlying causes in the project's parameters or elsewhere in the organization?

How Well Do Regular IT Operations Support Business Objectives?

The ongoing IT operations that daily support the organization's business objectives can also have significant effects on the quality of business results. The quality of IT operations raises parallel issues of cost-effectiveness, frictionless operations, and internal demand and supply.

Accenture's Productivity Study

Accenture recently conducted an interesting study on perceptions about business productivity associated with IT capabilities for the following purpose: "Interest exists in understanding several issues related to IT productivity. In particular, there is a desire to explore possible areas of disconnect between IT executives and general business managers in large corporations."

Accenture conducted 302 online interviews with executives of large U.S. companies across a variety of industries. Respondents included 151 IT executives (vice president, director, CIO, and other C-suite executives) and 151 business managers (senior manager, vice president, director, division/department head, executive vice president, general manager, C-level executives). Large companies were defined as those with more than 5,000 employees across all U.S. locations. The median revenue for companies in the study was \$10 billion.

The *IT Productivity Study* summary lists two key findings, as follows:

- Business managers and IT executives hold parallel views in two key areas:
 - Company productivity has increased in the past few years primarily due to four factors:
 - Better use of technology
 - Right amount of investment in technology
 - Cost-cutting measures
 - Business process reengineering
 - Still, many business managers and IT executives don't really know how to make IT and real business value mesh in a truly accountable way.
- There is a perceptual gap that causes business managers and IT executives to disagree regarding the value and placement of IT within particular areas in the company and the process by which IT budget and allocation decisions are made.

(Inquiries about the study can be addressed to Ann Vander Hijde, Marketing Communications for the Strategic IT Effectiveness practice at Accenture; email: ann.k.vander.hijde@accenture.com; phone: 206-839-2281.)

It is useful to examine three survey questions in particular to explore the basis of these findings in more detail.

Perceptions of Productivity

The study asked, "Overall, in the past few years, has productivity (at your company) (in your division/department) increased/stayed the same/decreased?" It found that "the vast majority of all respondents think overall productivity at their company has increased in the past few years." However, this view is "more prevalent among general business managers (GBMs) than IT executives." GBMs were "less likely to think the company productivity increases have impacted their department or division."

When the same question was asked about overall IT-based productivity, there was a notable difference in the responses of the two groups. Business managers are less likely than IT executives to think IT-based productivity has increased for the company and even less likely to believe it has increased in their division/department. However, like IT executives, business managers put "better use of technology" and "the right amount of investment in IT" at the top of their list of factors contributing to productivity.

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Perceptions of Alignment

Respondents were asked, "Overall, how strong would you say the alignment is between IT expenditures and the overall goals of (your company) (your division/department)?" Survey findings showed that "general business managers are less likely than IT executives to view the alignment between IT expenditures and overall company goals to be strong."

Furthermore, the study found that "GBMs are much less likely than IT executives to think that the business units participate actively in creating the IT budget. This suggests a communication gap between the two groups of executives." Also, "IT executives are much more involved in the IT purchase decisions than the business managers. In fact, half of the business managers had little or no input."

The study went on to examine the results in a more granular fashion to explore "differences between those who view alignment as strong versus weak." It found that IT executives and GBMs at companies where alignment between IT expenditures and company goals is perceived to be strong are much more likely than their counterparts where alignment is viewed as weak to:

- Think overall productivity has increased in the past few years
- Think IT-based productivity has increased in the last few years
- Attribute the increased productivity to the right amount of investment in IT as well as better use of technology

If this is so, then it suggests that alignment between IT expenditures and business goals is associated with increased corporate productivity, which in turn is attributable to good IT investment and usage. It should be noted that these results address only the perception in better-aligned organizations that productivity outcomes are better.

Attitudes to Accountability

The study asked, "Please indicate the extent to which you agree or disagree that each statement below describes your company." The summarized findings are that although about half of both groups agree that they do not really know how to make IT accountable, GBMs hold a dimmer view than IT of how well IT has delivered relative to what is spent. More GBMs think that:

- IT is underdelivering relative to what is spent
- The IT budget is not distributed effectively across company/division based on need

The statements and results are reproduced in Table 1.

TABLE 1		
Attitudes Toward IT Accountability (% of Respondents)		
IT Accountability	IT Executives	Business Managers
We don't really know how to make IT accountable for creating real business value and increase productivity	51	47
IT is underdelivering relative to what the company spends	40	52
The IT budget is not distributed effectively across company/division, according to their needs	34	47
I'm not really sure what my division/department gets for its IT expenditures	NA	44

Source: Accenture's *IT Productivity Study*, 2004

The results show a notable divergence between business and IT respondents' views about where the IT spend should go and the results (IT delivery) from the IT spend. From our point of view, the most interesting statement, and response, is the one about "how to make IT accountable for creating real business value."

Gary Curtis, global managing partner for the Strategic IT Effectiveness practice at Accenture, commented, "Many top business executives have difficulty relating their spend and investment on IT to the specific business results delivered. This is a tough problem for IT management as well. Clearly, when both management teams work closely together to set specific business-driven objectives for IT, that works best."

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IDC questions whether the accountability for business results is properly lodged in the IT organization. We believe a better approach would be to explore what various parts of the organization, including IT, could be made accountable for IT-based business results and in what ways. IT should bear the full burden of success.

FUTURE OUTLOOK

Improving the effectiveness of IT for the business is becoming a critical strategy for organizations in this business climate. What looks like a yawning gap between bytes and profitability is really the new imperative in business — to mesh business and technology into effective operations that consistently achieve good business results. That requires successfully promoting IT/business alignment.

Achieving alignment between IT and business interests is not dissimilar to aligning other differences between organizational elements. Large organizations have become a collection of businesses in the business, and they need to be able to work well across the organizations that compose its commercial identity. Organizations so arranged usually face complex and intense competitive pressures, but many have successfully cultivated the ability to work well across organizations and leverage best practices for the whole company, among them GE and Fed Ex. These two companies serve as important models for alignment. Building bridges across the modern business organization is a practice that is here to stay, and it is becoming a priority.

Because IT is meant to serve business needs and objectives, IT services are necessarily aligned to some extent with business priorities; otherwise, IT spending could not be justified. In view of the talk and ink still expended on the subject, however, there appears to be some work to do. We believe the work is about aligning IT with business more precisely.

IDC believes that the ability of organizations to successfully integrate IT and business interests to generate better business results rests on the many complementary responsibilities (and accountabilities) in the organization. In its pursuit of improved IT effectiveness as a result of better IT/business alignment, an organization needs to probe some fairly dense questions about its operations and about accountabilities:

- How can the organization use technology more effectively to meet business goals and deliver positive business results?
- Who is accountable for making it happen (on an organizationwide basis)?
- What parts of the organization are accountable for what aspects of delivering IT-based business results?

There is a strong incentive for analyzing these questions with some diligence: a great deal of money can be made from better alignment between IT resources and business priorities. The efficiencies to be found and the potential for increasing revenue and profitability in unanticipated ways can easily justify the effort.

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Building bridges across the modern business organization is a practice that is here to stay, and it is becoming a priority.

Accountability Through Three Lenses

We believe that everyone in the organization has a stake in how well it makes use of IT resources for the benefit of the business. For this reason, we consider three key stakeholder groups to be responsible for the interrelated actions that deliver IT-based business results: senior management, the IT organization, and lines of business. We also believe that the complementary accountabilities of these groups for their part in the results are essential for assuring positive outcomes.

Leadership Mandate

Making IT count more for the business starts at the top of the organization with senior management. Senior management sets the direction for greater integration between IT and business. In our view, the organization's leadership has responsibility and is accountable for three key actions to promote IT/business alignment, which in turn can lead to better execution of both IT and business responsibilities. They are:

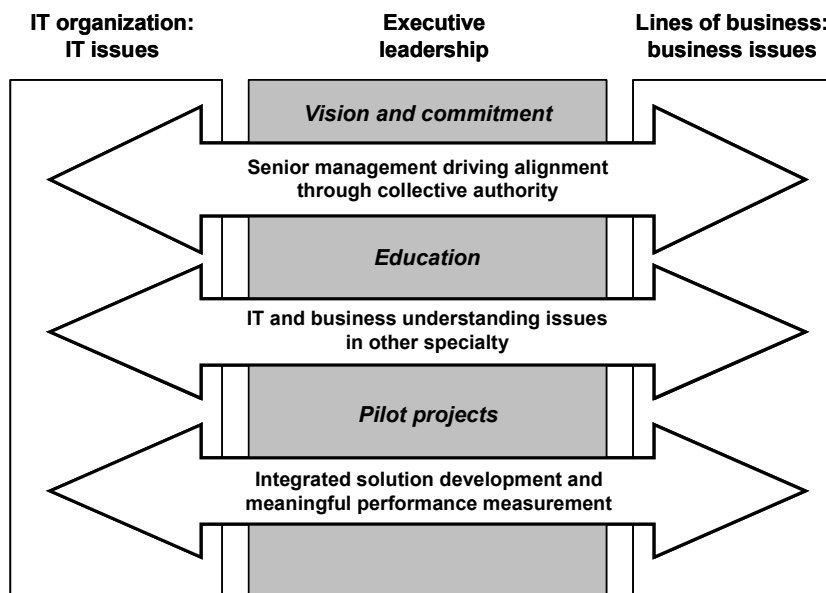
- ☒ Marshalling senior organizational elements to drive alignment
- ☒ Promoting the education of both IT and business about the other's interests
- ☒ Launching a pilot project to promote IT/business collaboration

Figure 1 illustrates this concept.

Making IT count more for the business starts at the top of the organization with senior management.

FIGURE 1

Leadership Mandate for Optimizing IT-Related Results



Source: IDC, 2004

Vision and Commitment

Taking a long view of what better IT/business alignment can achieve for the company's business goals can be difficult in a business environment focused on the next quarter's results or for executives who think, "That's just one of my many problems." However, that is what executive management is obligated to do to — steer the company toward better alignment and better results.

Company leaders need to enroll the senior line management of profit-centered businesses to collectively shoulder the responsibility for driving better alignment in the organization. On the road to achieving more precise alignment, there are many complementary responsibilities (and accountabilities) to coordinate for positive business results.

Senior managers have the authority to drive actions that promote integration and hold people accountable for their appointed tasks. The senior level, at least, needs to be aligned on the importance of the job in front of them.

Company leaders need to enroll the senior line management of profit-making businesses to collectively shoulder the responsibility for driving better alignment in the organization.

The Education Challenge

IT people are good at technology, and business people are skilled in financial, process, and organizational matters. They work in their natural specialties. However, if this specialization impedes their understanding of how the other group thinks or what their interest/priorities are, then efforts to align the two groups' thoughts, interests, and work are dead in the water.

The IT organization, and the CIO in particular, should have a solid understanding of how the company makes money. IT workers need to know about key customers and customer relationships and appreciate costs, revenue, and margins. This understanding can give them all a better appreciation of how their work fits into the value creation model of the company and provide a better basis for aligning IT capabilities with company priorities.

The business organization should have a pretty clear idea of what the IT function can do, what it cannot do by itself, and how IT can support their ability to do their work. From this knowledge, business workers can take a more active part in achieving business goals with the features and performance IT offers them. They could also tie the effective use of IT into employee education programs and performance assessments.

Business workers could also learn about what it would take to improve the IT function (e.g., more resources and more efficiencies) and what part they could play in making IT's job easier and more effective. Admittedly, this education challenge is a serious hill to climb. However, executive leadership is ultimately responsible and accountable for determining how to make it happen and then deciding who does what to make it so.

Launch a Pilot Project to Promote IT/Business Collaboration

Great advantages for promoting IT/business alignment can be gained from launching a real project as a pilot for establishing collaborative ways of developing and managing an IT-based business solution. The project should have a relatively low

cost and a relatively short build cycle (under two years). Executive leadership should drive this direction, but it also needs an executive member as a sponsor to drive it.

The project team, which needs to be made up of IT and business representatives, should have strong representation from business stakeholders. These business participants must make this activity a priority, commit to it in their calendars, and not send designates to meetings.

Because this is a real project, real people with profit plans, who are the stakeholders, should be represented on the project team.

The team then has to address the hard questions about any project: Why are we doing this? What will we gain? What could we lose? How are competitors affecting us? In the course of exploring these issues, everyone — the IT professionals and the business participants — learns about the project's implications and the other groups' interests, strengths, and constraints.

Then the group should identify specific business impacts that are clearly trackable and measurable. What quantifiable business effects that matter to the stakeholders will the IT capability have? This is the beginning of meaningful business metrics for IT performance. As the project proceeds, these parameters should be measured and the results evaluated. The benefits of this pilot approach include learning by doing and the ability to build on successes in subsequent projects.

What quantifiable business effects that matter to the stakeholders will the IT capability have?

IT Accountabilities

Some IT organizations are still perceived to be underdelivering relative to IT spend. What does that mean? According to Curtis, it means that respondents with this view "don't see improved business performance coming from what IT delivers." He says it could be because of genuine IT shortcomings or because IT performance is not measured so managers see it.

The first remedial action, of course, is to fix the shortcomings, if any, to provide reliable IT services and project installations. The second problem, poor perception of IT, needs to be addressed with demonstrable achievements based on credible operating practices and the reporting of measured outcomes.

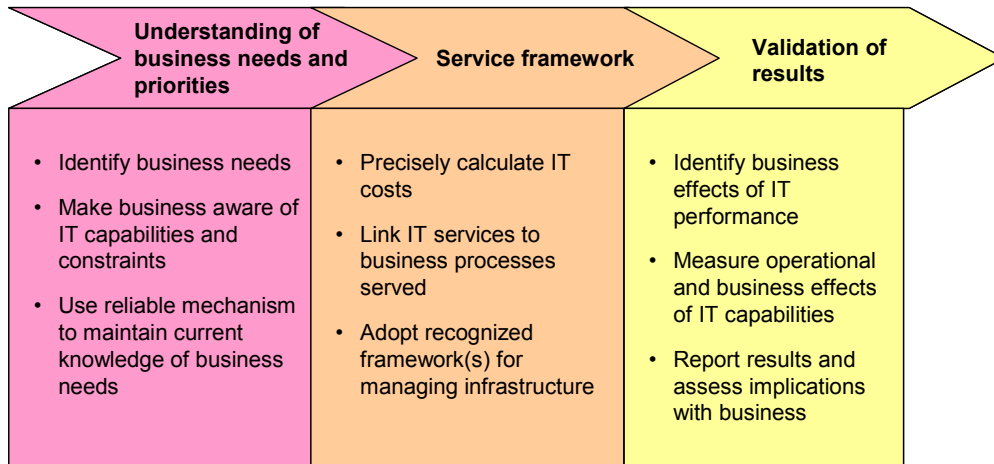
We believe there are three other critical actions for IT to take that will develop its credibility, which can make it easier to create effective IT/business alignment:

- Understanding the business
- Establishing a framework for IT services
- Validating outcomes

Figure 2 illustrates these accountabilities.

FIGURE 2

IT Accountabilities Serving the Business



Source: IDC, 2004

Understanding the Business

Everyone knows that in serving the business, the IT organization must understand and respond to business needs and priorities by translating them into technology solutions. That is the whole point of IT in business. Along the way, however, misunderstandings can occur, unfounded assumptions can be made, objectives can be misinterpreted, and expectations can be skewed.

The IT organization holds the responsibility for getting this business understanding right. It needs to ensure the following:

- IT has a good understanding of what the business needs at all times — and why.
- IT makes the organization or line of business aware of what IT can and cannot do for their purposes (constraints often imposed by business).
- A workable mechanism is in place to keep the knowledge of these needs current and verifiable.

How is this done in practical terms? Some options include the following actions to reach out to the business organization:

- Establishment of an IT council or advisory group, which debates these issues or knows where to find the answers
- Regular face-to-face meetings by the CIO with line-of-business counterparts to discuss the businesses needs and priorities
- Establishment of an account manager position to assist the business in working with IT and communicate IT issues to the business in language they understand

Service Framework

IT must have a clear basis for its services and performance parameters to be credible as a service to the business. This includes knowledge of the costs and customer uses of its services and industry-recognized tools and standards.

Costs

The business must know with some certainty what the IT organization can do for lines of business and at what cost. There are sound reasons for having precise costing information, among them being to determine if you are competitive (e.g., benchmarking), understand trends, assess alternatives for different services (e.g., outsourcing), and provide flexibility of service at a cost (e.g., bronze, silver, gold).

Link Between IT Services and Business Processes

As noted in previous documents in this series, IT must make the effort to clearly link IT services and capabilities to particular business processes. The IT organization should know exactly how and to what extent its services support particular functions in all lines of business and shared organizational functions. This knowledge provides a sound basis for service changes and service negotiations with businesses.

Adopt Recognized Frameworks for Infrastructure Management

Professional management of the IT organization and IT assets is critical for aligning IT with the business, as needs change, without jeopardizing IT and company stability. IT leaders should consider the benefits of adopting a framework such as the Information Technology Infrastructure Library (ITIL) as a corporate standard for infrastructure management, and complementing it with other IT best practices.

ITIL, for example, is the de facto worldwide standard of managing infrastructure for service management-related vendor offerings and plays a key role in HP's "adaptive enterprise" and IBM's "computing-on-demand" strategies. It is also the standard for automated network and systems management tools from high-profile vendors such as CA, BMC, IBM/Tivoli, and HP/OpenView. Frameworks like ITIL can play an important part in solidifying IT/business alignment and provide a credible basis for measuring IT performance.

Validation of Results

The IT organization is accountable for its own performance, but if it does not measure and publicize that performance, it cannot expect that anyone else will do it and may expect to be perceived as underdelivering. Proof of performance is one of the most effective ways for IT organizations to boost their credibility, which makes discussions with the business side more productive. Key actions for validating IT performance are:

- Measure (prove service levels being provided; demonstrate project results)
- Report (create formal and regular reports of these results)
- Assess (analyze the results and trends; take steps to improve)
- Review with business (regularly review and validate results)

Any credible IT organization should be able to demonstrate technical excellence with technical performance reporting. What about the real business value some business and even IT managers expect IT to deliver? The onus is on the IT organization to initiate discussions leading to the development of meaningful measures of IT performance. IT must ask business customers, What matters to you and your work? What measurements of IT service would you like to see?

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Business Accountabilities

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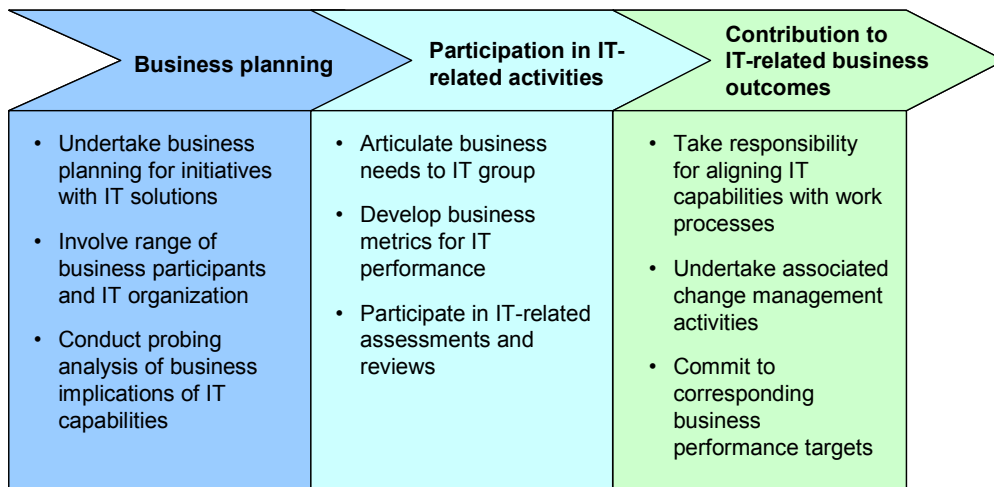
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IDC believes that the actions of the business elements of the organization play a big part in bringing about positive IT-related business outcomes. We believe there are three critical actions for businesses to take that will improve IT's effectiveness in the business, as illustrated in Figure 3. They are:

- ☒ IT-related business planning
- ☒ Participation in IT-related activities
- ☒ Contributions to IT-related business outcomes

FIGURE 3

Business Accountabilities for IT-Related Issues and Results



Source: IDC, 2004

IT-Related Business Planning

Who does the work leading to decisions about IT investments, either for new capabilities or for the resources needed for ongoing operations? This activity varies with organizations. This is the job of business, on the basis of all the best possible information on technical capabilities and implications from IT and all the accumulated knowledge of the planners about what would work best for the business.

Business sponsors and representatives from other businesses potentially affected should do the heavy lifting in developing and justifying feasible IT solutions for business problems, shortcomings, or opportunities. IT is an important player, of course, but IT should not have to make decisions on technologies to pursue or acquire for business ends, nor should IT have to rank IT projects in order of priority.

Business sponsors and representatives from other businesses potentially affected should do the heavy lifting in developing and justifying feasible IT solutions for business problems, shortcomings, or opportunities.

The questions to be addressed by such a group include:

- Why are we doing this? What business problem are we solving/trying to fix?
- What should we invest in, and how much should we invest?
- What are our competitors doing? How may they hurt us?
- What are the risks to us? What can we live with? What are the contingencies?
- What were the results from the last initiative? Was the business case met? What was the learning value?

Participation in IT-Related Activities

One of the most important actions that lines of business can take to promote IT/business alignment is to actively provide information to IT and participate in IT-related development or assessment activities.

Businesses have the responsibility for making their needs and objectives clear to both the IT organization and to any business planning body considering IT-related business initiatives. They also have a responsibility — to the organization — to make these needs realistic (e.g., they cannot have perfect service at rock-bottom cost). They need to express their true needs, not their wishes for a slick new IT capability. They also should be prepared to pay what their business model can support for IT services.

Businesses have the responsibility for making their needs and objectives clear to both the IT organization and to any business planning body considering IT-related business initiatives.

The other key responsibility of business groups is to develop realistic and meaningful metrics for IT performance in relation to business effects. They should work with the IT organization to develop answers (and thus metrics) for the question both should want to pursue: what measure would indicate to a particular line of business that an enhanced IT capability is having the desired effect on business operations?

This is an activity for which business groups are clearly accountable: no one can do this job better than those who are affected by a particular IT service.

Contributions to IT-Related Business Outcomes

Lines of business are responsible for the organizational activities associated with full production use of the capability (e.g., process changes, employee communication/training). How people use IT capabilities has a significant bearing on business outcomes. This is IT/business alignment at its most basic configuration — aligning IT capabilities with the way people work with them.

This is IT/business alignment at its most basic configuration — aligning IT capabilities with the way people work with them.

Factors affecting alignment include business processes affected, employee competence, employee motivation/commitment, impacts on external customers, effects on suppliers or partners, and required marketing changes. No one can make alignment happen better than the business managers affected by the capability and having the authority to do so. They are clearly accountable for settling the new capability into its work environment.

That is not all. They are also accountable for driving the business results the company expects the IT capability to enable or improve. The IT organization does not drive those results; the business organization drives business results by its work activities. IT can only set the stage for real business value from IT capabilities; lines of business deliver the goods.

IT can only set the stage for real business value; lines of business deliver the goods.

If the organization fully appreciates the practical contributions business groups can make to incorporating IT capabilities fully into the business' way of working, then the next step is for businesses to commit to corresponding performance targets in their own spheres of activity. For example, if an IT capability is expected to increase by two times the speed of workflow for a critical business process, then the line of business responsible should commit to increasing the output of that process to the same degree and realign incentives and compensation to reflect the new targets.

ESSENTIAL GUIDANCE

Actions to Consider

Better alignment of IT and business interests in an organization can increase the likelihood that there will be greater understanding of how to use IT resources for the greatest business effectiveness and thereby improve business outcomes.

IDC recommends the following for organizations seeking to improve IT/business alignment and increase the business effectiveness of IT capabilities:

- Senior management of the organization should drive better integration of IT and business by the following actions:
 - Enrolling senior line management in profit-making businesses to be responsible for collectively driving better IT/business alignment in the organization
 - Promoting the complementary understanding of IT and business groups of the other's interests and operations

- Launching pilot projects to demonstrate more integrated ways of approaching, managing, and realizing benefits from IT-related business initiatives
- The IT organization should drive better credibility for IT by the following actions:
 - Establishing and using a workable mechanism to keep knowledge of business needs current and verifiable
 - Maintaining accurate IT service costs, clearly linking IT services to the business processes served by them, and using industry-recognized service/infrastructure management frameworks and tools
 - Determining from businesses the business-related measures of IT performance that matter to them, incorporating these measures into IT performance metrics, and measuring and reporting on them regularly
- Lines of business should actively contribute to the business value of IT investments by the following actions:
 - Taking final responsibility for developing and justifying feasible IT solutions for business problems, shortcomings, or opportunities
 - Participating actively in IT-related activities such as making business needs and objectives clear, developing meaningful metrics for business effects of IT performance, and reviewing and assessing IT-related performance
 - Taking responsibility for the organizational activities associated with full-production use of a new IT capability to integrate the capability into work processes

LEARN MORE

Related Research

- Technology Solutions and Citizen Services: Three Local Government Success Stories* (IDC #32236, November 2004)
- Double Impact: The CIO, the CFO, and IT Value* (IDC #32138, October 2004)
- Who's on First? Factors in IT Supplier Selection* (IDC #31824, September 2004)
- Super Service: Boosting IT Value in the Public Sector* (IDC #31802, August 2004)
- Follow the Money: IT Investment Decisions in Canada* (IDC #31736, August 2004)
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- ☒ *The Enduring Challenge: Calculating IT Value in Business Terms* (IDC #31342, May 2004)
- ☒ *More than a Business Face: IT Supplier-Client Relationships and IT Value* (IDC #31086, April 2004)
- ☒ *Accounting for IT Value: The Double Helix of Cost and Business Performance* (IDC #30960, March 2004)

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