Aligning Technology to Business & Operations ... A Business Need

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IT Infrastructure and Processes

ALIGNMENT

Business Strategy and Processes
You wouldn’t buy a car that failed to start 20% of the time.

You wouldn’t invest in a mutual fund that consistently lost 20% of its value.

Yet more than 2 out of 10 enterprise IT projects are outright failures.*

*The Standish Group, 2006
Concept of I.S. Alignment

Concept of alignment is only meaningful where there is a clearly articulated business strategy.

Aligning I.S.
As a strategic partner, the strategy, vision, and measures of success and value should be created jointly.

Aligning Business
Business process must incorporate an evaluation mechanism which reflects key business goals and their relative importance.
Measures of value must be evaluated with the business alignment through a continuous process.
The success of technology implementation in any organisation depends on which technology is used!!

... and how many agree to this viewpoint ??
The success of technology implementation in any organisation depends on how technology is used!!

... and I think that this is more agreeable
How Business Views IT

The value I.S. delivers to the business depends on how the business views I.S.

**Service Provider**
- IT is for improving efficiency
- IT budgets are driven by
- IT can be independent
- IT is separable from the business
- IT is seen as an expense to control
- IT personnel are technical experts
- IT personnel to do technology implementation

**Strategic Partner**
- IT is for business growth
- Budgets are driven by business strategy
- IT is inseparable from the business
- IT is seen as an investment to manage
- IT managers are business problem solvers
Business Perspective of IT

Confidentiality

Privacy
Need to Know
Need to Do

Integrity

Protection
Usability

Availability

Efficiency
Effectiveness
Responsiveness
Alignment of Business & IT

Strategic Alignment will focus on development of an IT Strategy based on Business Strategy

- **Alignment at Strategic level**: linking IT Strategy with Business Strategy
  - Vision
  - Mission

- **Alignment at Operational level**: linking IT Operations with Business Operations

- **Alignment at Grassroot level**: linking IT Operations with users & customers
Alignment of Business & IT

- Business
  - Change implications
  - Investment in capability
  - Delivery of value

- IT
  - Change capabilities, limitations

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Pillars of Business

Business

People  Processes  Technology
People, Process, Practices and Technology are considered to be the critical components of IT environment therefore the devised IT Strategy should ensure that there is a proper match between objectives of the 3 drivers
It is necessary to ensure the alignment is both at the strategic & the operational level.
Key Challenges & Issues

- Enterprise based IT Management based on IT Governance
- Information Security Management
- Disaster Recovery & Business Continuity
- IT Value Management
- Regulatory Compliance
- Financial Reporting Compliance
- Challenges of Managing IT Risks
Management Perspective About IT

- Understand the need to Align IT strategy with business goals
- Cascade strategy and goals down into the organization so that they are clearly known & understood to key function heads
- Set up required organizational structures that would facilitate strategy implementation within a given time frame
- Adopt an IT control and governance framework with embedded responsibilities for risk management in the organization
- Measure the performance to evaluate the alignment
This criticality arises from:

- The increasing dependence on information and the systems and communications that deliver it
- The dependence on entities beyond the direct control of the enterprise
- The potential for technologies to dramatically change organisations and business practices, create new opportunities and reduce costs
- The risks of doing business in an interconnected world
- The need to build and maintain knowledge essential to sustain and grow the business
- Need to Focus on important IT processes and core IT competencies
### Expectations

- Harness and exploit IT to deliver business value
- Provide fast development, with appropriate quality and with security
- Ascertain that IT investments have a quantitative return and IT does more with less
- Move from efficiency and productivity gains towards value creation and business effectiveness, especially in industries requiring that the focus move from the back office to the front office

### Reality

- Business losses, reputational damage or a weakened competitive position
- Enterprise effectiveness and core processes directly impacted by the quality of IT deliverables
- The failure of IT initiatives intended to bring innovation to the enterprise to achieve their promise
- Technology that is inadequate for the enterprise or obsolete too soon
- Poor support for the business
- Deadlines that are not met
- Costs that are higher than expected and quality and efficiency lower than anticipated
The Management would definitely want to know whether the organisation’s information technology strategy is:

- Appropriate to facilitate to achieve its business objectives?
- Resilient enough to adapt to changing scenario?
- Judicious to facilitate managing the risks it faces?
- Facilitator to further business opportunities?
Why Has IT Not Gotten the Attention It Merits?

- IT requires more technical insight & understanding of technology, than do other disciplines to understand how IT
  - Enables the enterprise
  - Creates risks
  - Gives rise to opportunities
- IT has traditionally been treated as an entity separate to the business
- IT is complex, and even more so in the extended enterprise operating in a networked economy
Why The IT Alignment Matters

• IT and communications now account for over 50% of all business equipment capital spending.

• The resource management need is more critical now due to IT’s penetration and its rapid pace of change.

• As a critical resource, IT requires effective resource management, and it must be aligned with the goals of the enterprise.

• This applies equally well to government as to commerce
Challenges Within the IT Organization

- Realistic Time Frames: 32%
- Sufficient Staffing: 36%
- Well-Defined Project Scope: 38%
- IT Investments Meet Goals: 60%

Info-Tech Research Group, May 2005
Aligning IT to Business is the objective of IT Strategy

Alignment of Business and Information Technology Strategies

Business Strategy

Organizational Infrastructure and Processes

Business Strategic Planning

Information Technology Strategy

IT Infrastructure and Processes

IT Strategic Planning

Alignment of Business and Information Technology Processes

It is necessary to ensure alignment is done both at the strategic level and also at the operational level.
IT Strategy – An Overview

**Business Context**
- Present Business Plans?
- Future roadmap for Business?
- Required Business Functionalities?

**Current IT Enablement**
- Current IT Strategy and Plan?
- Current capability of IT Infrastructure & Applications?
- Capability of IT to meet the required business needs

**Future IT State**
- What is the overall IT Direction?
- Applications to be used?
- IT Infrastructure to be used?
- Resources required?
Step 1 – DEFINING THE BUSINESS NEEDS

**Key Activities**

- Understand Business Needs
  - Business Strategy & Forecast of Business Growth for next few years
  - Business Requirements
  - Business Budget and Costing
  - Business and Support Organization Structure
  - Other Department’s Functioning and Information

**Deliverables**

- Detail out the Business Needs
  - Objective & Scope
  - Exclusions & Constraints
  - Roles & Responsibility of Steering The Teams
  - Risks Analysis & Mitigation Measures
  - Critical Success Factors
**Key Activities**

- Analyze, review and summarize the following:
  - Current IT deployed across the Enterprise
  - High level analysis of business processes and their usage of IT
  - Information Security to be assessed from the Confidentiality, Integrity, Availability perspective
  - IT Governance structure model and service delivery model required to support the Technology

**Deliverables**

- Gap Analysis
  - Between present ‘As-Is’ and the business requirements and between ‘As-Is’ and Industry best practices vis-à-vis the IT requirements required to support expected business strategy
Step 3 - The IT Strategy Roadmap

Key Activities

• Define IT Roadmap
  - Review and confirm ongoing / current IT initiatives defined in the Strategy step in light of the business requirements
  - Prioritize business requirements to fit the overall IT Strategy
  - Develop High level estimates of IT investment to support identified initiatives
  - Develop schedule and resource estimates for the prioritized projects

Deliverables

• IT Roadmap/Blueprint
  - List of potential IT projects and their project profiles
  - Evaluation criteria for IT initiatives to ensure alignment to Business
  - Tentative cost and timeframe for the list of projects
  - High level Business cases for each major initiative
  - Risk management considerations for proposed initiatives
  - Change Management considerations for proposed initiatives
## The Balancing Act

<table>
<thead>
<tr>
<th>Strategy?</th>
<th>Methodology?</th>
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<tbody>
<tr>
<td>Are We Doing It The Right Way?</td>
<td>Are We Getting Them Done Well?</td>
</tr>
<tr>
<td>Are We Doing The Rights Things?</td>
<td>Are We Getting The Benefits?</td>
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</tbody>
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### Implementation?
Do we have:
- Effective and disciplined delivery and change management processes?
- Competent and available technical and business resources to deliver:
  - the required capabilities; and
  - the organisational changes required to leverage the capabilities?

### Benefits?
Do we have:
- A clear and shared understanding of the expected benefits?
- Clear accountability for realising the benefits?
- Relevant metrics?
- An effective benefits realisation process?

### Strategy?
Is the investment:
- In line with our business vision?
- Consistent with our business principles?
- Contributing to our strategic business objectives?
- Providing solutions at affordable cost, & at an acceptable level of risk?

### Methodology?
Is the investment:
- In line with our processes?
- Consistent with our architectural principles?
- Contributing to the population of our architecture?
- In line with other initiatives?
IT Governance is the basis for IT to deal with the present multiple requirements to realize the major success factors for a strong IT.

Major Success factors for strong IT

- Strategic Business - IT Alignment
- Regulatory Compliance (SOX, Basel II..)
- Effective and Efficient IT processes
- Sustained high Service Quality
- Measurable IT Performance and Value
- Controllability of Operational risks
- Dealing with increasing Complexity of IT
Why Get Into Governance?

- IT is critical to the business
- IT is strategic to the business
- Expectations and reality don’t match
- IT normally doesn’t get the attention it deserves
- IT involves huge investments and large risks
- Ensure that the organisation gets Value from the IT deployment
What is IT Governance?

A focus on the leadership, organizational structures and processes to ensure that IT sustains and extends an entity’s strategies and objectives in the creation and preservation of values and wealth

... IT Governance Institute
The Management should drive alignment to ensure that IT delivers value
• with the business strategy focusing on competitive advantage, elapsed time for order/service fulfillment, customer satisfaction, customer wait time, employee productiveness and profitability
• supported by an IT strategy that delivers on time, within budget and with the benefits that were promised

“IT value is in the eye of the beholder.”
The Management should drive business alignment by:

- Ascertaining that the IT strategy is **aligned** with the business strategy
- Ascertaining that IT **delivers** against the strategy through clear expectations and measurement
- Directing IT strategy to **balance** investments between supporting and growing the enterprise
- Making considered decisions about where IT resources should be **focused**

“IT alignment is a journey, not a destination.”
Measurement of Alignment

“If you are playing the enterprise game and not keeping IT’s score, you are only practicing.”

… IT Governance Institute
IT Governance Framework

Set measurable goals

Compare results

Deliver against the goals

Measure performance

Act if not aligned
IT Governance Framework

Set Objectives
- IT is aligned with the business
- IT enables the business and maximises benefits
- IT resources are used responsibly
- IT-related risks are managed appropriately

Provide Direction

Compare

Measure Performance

IT Activities
- Increase automation (make the business effective)
- Decrease cost (make the enterprise efficient)
- Manage risks (security, reliability and compliance)
To succeed financially, how should we appear to our shareholders?

To satisfy our shareholders and customers, what business processes must we excel at?

To achieve our vision, how will we sustain our ability to change and improve?
Benefits

Board of Directors
Executive Management Committee

I.S. PERFORMANCE

- Management
- Organization
- Methods & Tools
- Internal Economy
- People/Culture

RESULTS

I.S. Organization:  
- Management Practitioners
- Support Professionals

Audit & Regulatory

Lines of Business & Customers
Thank You