A Research Study of IT Alignment

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Abstract

In May, 2007, we undertook a study at Santa Clara University to investigate the lingering problem of IT alignment. Our findings confirmed that: 1) There is no generally agreed-upon definition of IT alignment; 2) Optimal IT alignment is an elusive target and we found no singular instance of it in our study; and 3) In the absence of optimal IT alignment, some CIOs have adopted creative approaches that appeared to be producing value for their respective corporations. We report on these findings.

We subsequently apply a *business* strategy lens to the IT alignment problem and make some observations and recommendations.

1. Optimal IT alignment can only occur if IT is aligned with the business goals of the enterprise. Aligning IT with the business units, or with enterprise strategies will produce suboptimal performance.

2. In order to effectively align IT with the enterprise goals, the goals must: a) exist; b) be clearly stated; and c) must truly be goals, and not as so often occurs, be means to achieve the goals, i.e., strategies. This will require greater knowledge of the strategy process and the strategy vernacular than currently exists amongst both senior business executives and IT executives.

3. Effective IT alignment begins with the corporation valuing IT as a strategic resource, and not solely as a support or operational resource. Once IT is valued as a strategic resource, a seat at the corporate strategic planning table will be more achievable, and in turn, alignment with the goals of the enterprise will be made possible. None of this can occur unless the IT executive learns business strategy as well, or better, than the corporate executives.

4. We should do away with the term “alignment” and replace it instead with the term that more accurately describes the mission of the IT organization --- namely, “value-add.”

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1. Introduction

Despite all the attention CIOs have paid to the topic of IT alignment during the last 20 years, it’s clear we have not made much progress in this area. This topic continues to draw much attention in the literature and to rank annually as one of the top ten IT issues. Recently, for example, *CIO Magazine* published its State of the CIO 2008 survey results and listed, "Aligning IT and Business Goals" as the number one priority.[1] In another survey, conducted by *CIO Insight*, the number one CIO priority for 2008 was "Improve Alignment with Business Objectives."[2]

In May, 2007, we initiated a formal study of IT alignment to:

- Establish the current state of IT alignment, and more importantly;
- To seriously advance its practice.

The authors of this study, Ron Danielson and Pete DeLisi, bring a unique perspective to the research on IT alignment. Ron is currently the CIO at Santa Clara University in Silicon Valley, with over 30 years of IT experience. Pete DeLisi is the Academic Dean of the IT Leadership Program at Santa Clara University and is president of a strategy consulting firm. In this latter capacity, he has conducted strategic planning engagements with the senior management teams of over 100 public and private companies. Together, the authors possess over 60 years of IT experience.

In this paper, we will describe our study approach, detail our findings and make recommendations to enhance the practice of IT alignment. We will also report on some surprise findings that may be of great interest to the IT community.

2. Methodology

During the period from May, 2007 to December, 2007, we conducted fifteen interviews. Each interviewee was the CIO of his/her respective corporation. We were indeed fortunate to have interviewed CIOs that would make anyone's CIO Hall of Fame list. Their companies ranged in revenue from a hundred million dollars to many billions of dollars, with the majority in the latter category. Four of the companies were from the public sector and eleven were private sector companies. Industries represented included retail, technology, consumer, government, banking, manufacturing and higher education. Geographically, companies were scattered throughout the United States.

The interviews were conducted either face-to-face, or via phone, and lasted anywhere from 30 minutes to one hour. After ten interviews, we were surprised to identify remarkably similar responses to our questions (see attachment A). We conducted an additional five interviews with similar results and determined that further effort would not likely change the conclusions that we had formed.

After completing the initial round of interviews and writing a draft of the findings and recommendations, we subsequently conducted another round of interviews with the study CIOs. Our latter discussions focused on their reactions to our findings and recommendations and sought to both validate and extend our own thinking. This was in the spirit of the contemporary emphasis on collaboration and is an example of what MIT refers to as "collective wisdom."

3. Findings

Our findings from the study are as follows.

A. There was no generally agreed-upon definition of IT alignment among the CIOs that we interviewed. Indeed, interpretations ranged from alignment as a governance mechanism to alignment as a project portfolio mechanism. Broadly speaking, there was general agreement that IT alignment had to do with the alignment of the IT strategy with the business.
B. Using the definition of IT alignment in the latter sense, we asked the CIOs in our study to indicate how aligned their organization was on a scale of zero to ten, with ten being the highest degree of alignment. Our respondents' scores ranged from zero to nine, with the average being 6.25.
C. While we found no instance of what we define as "optimal" IT alignment, we did find a number of creative approaches that appeared to be producing value for the respective corporations.

4. The Definition of IT Alignment

As indicated, we found a wide range of definitions for "IT alignment." One CIO said that alignment was "lining up with the mission of the organization." Another CIO included strategic, operational and tactical considerations in the definition of IT alignment. Yet another CIO told us that IT alignment was "matching the IT roadmap to the business strategy and to where it was going," and when asked about the IT alignment process, referred to the project initiation process.

One CIO told us that the definition of IT alignment was, "IT is a full partner with the business in achieving business goals." Later, he raised an interesting question by asking, "What is good alignment? Is aligning with three out of five business units good enough?" He went on to dramatize the problem by characterizing IT alignment with the respective business units in his corporation as varying from extremely poor to highly successful.

An insightful, practical view of IT alignment was voiced by one CIO. He said, "You need to be with the business formally, but also, in the hallways. It's tough to be in the hallways." This same CIO also added, "Everybody in the corporation is a customer. You're a broker seeking alignment between parties." As we will see, IT's focus on the corporate strategy can help resolve this latter issue. As one CIO told us, "The bigger picture helps you see how to negotiate conflicts between business groups."

While there was general agreement that IT alignment had to do with the alignment of the IT strategy with the business, there was lack of agreement on what "business" meant or what it included. Was the "business" the operating units, or the entire enterprise? Did alignment with the "business" mean alignment with the business strategic plan? Alignment with the business processes? If it meant alignment with the business strategy, then what part of the business strategic plan should IT align with? One CIO summarized this by saying, “What portion of the corporate strategy is it best to align with? Sometimes, it defaults to whom you can best work with.”

Later, we will define “optimal” IT alignment, but before that, it may be time to question our use of the term “alignment.” Perhaps, it is time to do away with this phrase and to redefine in clearer terms what it is that we are trying to accomplish.

Alignment, as defined by Mr. Webster, is “being in correct relative position to something else.” Therein lies the problem with using the term “alignment” to describe what we are trying to do with IT. The suggestion is that whatever the position of the business, IT should be in a relative position to it. In an exaggerated view, if a business strategic plan doesn’t exist, the IT strategy need not exist. Or, if the business strategic plan is poorly conceived, unclear, and otherwise indescribable, the IT strategy should be likewise. The term “alignment” is also inherently reactive; it depends on something else being in position first.

It’s time to abolish the term “alignment” from our vernacular, although in this paper, since it was properly the term we used in our interviews, we will continue to use it where appropriate. We already have a phrase that makes more sense and that is in popular use in certain business and IT circles; it is the phrase “value-add.” Viewed in this manner, real value now comes from IT being proactive and suggesting how its strategy can be packaged and stated, so as to enable a subsequent contribution of the IT resource to the desired results of the enterprise. More about this later.

5. Optimal IT Alignment

Our conclusions note that respondents were asked to indicate how aligned their organization was on a scale of zero to ten, with ten being the highest or optimal level. Scores ranged from zero to nine, with the average being 6.25. It follows from this, therefore, that we found no instance of optimal IT alignment amongst the CIOs that we interviewed.

It is fair to ask at this time, “Is optimal IT alignment a legitimate objective, or is it an elusive target that we will never achieve?” While the ideal or optimal level of IT alignment may be rarely achieved, it is our opinion that significant improvement can be, and must be, achieved. A starting point toward this end may be a clearer picture of what “optimal IT alignment” looks like and consists of.

When asked the conditions that might produce more favorable IT alignment, the responses that we heard from the CIOs were the following:

- An enterprise ability to think strategically
- Existence of a corporate strategy
- A corporate strategy that is clear and well understood

- A seat at the corporate strategic planning table
- A process to align IT with the business strategy
- A senior team that values IT and what it can do for the organization

What we found most often in our CIO interviews was lack of a corporate business strategy, or given a corporate strategy, lack of understanding and clarity about what it meant for the whole organization, and specifically, IT. On the IT side, we found a lack of business strategy knowledge in general, and in only one case, did we find an effective process to map IT to the corporate strategy.

6. Creative IT Approaches

As we earlier stated, we found no instance in which a corporation felt they were perfectly aligned. What we found interesting, however, were the many creative ways in which IT organizations were adding value in the absence of some of the conditions for optimal IT value-add. Following are some of these cases.

One CIO told us, “There are lots of excuses not to do anything.” She decided to get out of the blame game and not to wait any longer for the perfect conditions to occur. She decided to build a risk model that highlighted vulnerabilities with the existing systems by identifying key business drivers and themes she thought would be important over the next 10 – 15 years. In conversations with the top executives at the company, she got them to give their opinions on these drivers. These put the business people at ease and they enjoyed talking about the likelihood that these would occur. Now, the model is used on an ongoing basis and has provided IT and the business a way to have a fresh and powerful dialogue about the IT portfolio and its relationship to the business.

Another CIO told us that they have no formal process to align IT and the business strategy, and no forum in which to discuss it. In fact, he told us, they have no formal corporate strategic planning process. He went on to say that, “The CEO makes the strategy.”

Given the lack of strategic enablers, this CIO told us that he meets regularly with the CEO to understand his strategy. He told us, “I then use a picture to communicate to the business heads how I understand the CEO’s strategy and how I see IT fitting the strategy.”

This CIO also noted that he didn’t think his CEO expected IT or the CIO to contribute to the business strategy. Indeed, while CEO reaction was not the focus of this study, the foregoing quote highlights an issue that many of us believe still exists amongst the senior ranks of many companies – namely, failure to value IT as a strategic resource.

The organization that had the best corporate strategic planning process among the companies in our survey also had a creative, proactive way to align IT. (Interestingly in this case, a leading strategy firm had previously been hired to put in place the corporate strategic plan.) Each year, IT starts with the previous year's business plan and reviews what went well or not. Based upon this, its staff goes to the business units with proactive suggestions for how IT might add value in the coming year. This starts a formal process in which IT determines what it should do, and eventually, leads to a formal IT strategic plan.

A number of CIOs described how they worked with the business units to refine the list of project priorities. One CIO told us, "Even without initial clarity around the business strategy, it is possible to still align by scrubbing projects in a group process with the business heads. The business heads have a good sense of business priorities and are able to judge the relative contribution of IT to these priorities." Of course, this same CIO told us the following. "You need a collaborative spirit and an attitude of enterprise welfare --- not just business unit welfare." Another CIO referred to this as "the greater good of the organization."

As has already been indicated, in the absence of a solid business strategy that is well understood, some IT organizations have made assumptions about what they think it is. One CIO told us that he established three "buckets" for his IT people to start thinking about the business in the absence of a corporate strategic plan: 1) Protect the core business; 2) Drive growth; and 3) Enable innovation.

During the period of this study, one of our authors worked with a university client on an IT alignment project. The experience lends further support to the belief that, in the absence of a perfect business strategy, there are many creative things IT organizations can do in order to add value to the enterprise.

In the case of the university, we had a situation in which we had ample material that had been developed by the senior team and supposedly expressed the strategic direction of the university. Upon examination, however, the strategy suffered from the absence of clear, legitimate goals.

Our work consisted in getting the IT team, with our guidance, to take the existing strategic documents, and from them, to develop a set of university goals. In a similar way, one of the CIOs in our study commented, "If the strategy isn't clear at the top, you have to go to them and say, 'Here is what we are hearing.' This then becomes the strategy document as you play it back to the executives." In the case of the university, the IT team did the job of developing university goals very well. The suggested follow-on work was to take what had been developed and to validate it with the senior executive team at the university. Unfortunately, other priorities intervened, and postponed this next action step for the time being.

7. Recommendations

Summarizing the preceding, we have said that: a) The CIOs did not agree on the definition of IT alignment. From this, we suggested that we should do away with the term “alignment,” replacing it instead with the term “value-add.”
b) Using a numeric metric gathered from the CIOs in the study, we found no case of optimal IT value-add; and c) We said that we did find some very creative approaches in the absence of optimal IT value-add and gave some examples of this. At this point, the reader might say, “We already knew that we didn’t agree on what IT alignment means and we knew no one was perfectly aligned. And we also knew that even with all that, some of us are doing some pretty interesting things. So what’s new?”

In our introduction, we stated that our purpose was twofold --- to report on the current state, but also to seriously advance the practice of IT alignment. What remains, therefore, is to make some recommendations to accomplish the latter. In the final analysis, we trust that this will be the major redeeming aspect of this study.

7.1. Conditions for optimal IT Alignment

Adding to the survey results, we now take our own experience and apply both a business strategy perspective and an IT perspective. In our estimation, the following conditions must be present for optimal IT alignment to occur.

- A valuing of the IT resource in the corporation.
- Strong strategic capability on the part of the senior executive team to include knowledge of *business* strategy concepts, terms and process.
- Knowledge of *business* strategy concepts, terms and process within IT.
- The existence of clear and focused corporate goals and a clear understanding within IT, and elsewhere, of what these goals are.
- Knowledge within IT of the potential strategic uses of IT.
- An effective process to map IT to the corporate goals. This process should include use of proven strategic tools.
- A feedback loop to compare the results to what was originally intended.

Let us discuss these conditions for optimal IT value-add. First, let us take a look at the importance of corporate goals.

A premise accepted in business strategy circles is that strategy-making is about having an impact on corporate goals. Indeed, the very definition of strategy is as follows.

> "An approach to using resources within the constraints
> of a competitive environment in order to achieve
> a set of goals."[3]
>
> Catherine Hayden
> **The Handbook of Strategic Expertise**

[Before we proceed any further, it is very important to clear up the confusion about the different ways that the word "strategy" is used and will continue to be used in this paper. Classically, "strategy" is the means to achieve goals. It is generally accepted, however, to use the word "strategy" more globally to refer to the overall direction of the enterprise (as in, "the corporate strategy"). Used in this latter manner, it includes the concepts, such as, mission, vision, goals and strategies (as means), as well as, the thinking surrounding these concepts. The word "strategy" is also used to refer generically to the body of knowledge about the concept (as in, "need to learn strategy"). In this paper, we will be using the word "strategy" to refer to these general uses of the word, unless we specifically indicate that we are using it in the classical sense.]

We can define optimal IT value-add as the state in which IT reaches its fullest potential as a means, i.e., a strategy, for helping the enterprise achieve its goals. In this case, maximum value-add would be achieved by aligning the IT strategy with the goals of the enterprise. Anything else, by default, would produce suboptimal performance.

Someone might ask, "Why wouldn't alignment with corporate strategies or initiatives produce the same level of performance?" In simple terms, we would be aligning a means with another means, instead of with the desired result or end. Later, we will further answer this by relating the story of Debi Thomas, the Olympic figure skating professional.

Next, let us look at the condition for "strong strategic capability on the part of the executive team." In our strategy work with over 100 senior executive teams, we have found a tremendous dearth of strategy knowledge at the top of organizations. The simple reason for this, in our estimation, is that almost no one comes up through a strategy function. Where then do executives learn the "science" of strategy? One CIO, who had been responsible for the strategy function at a previous company, commented, "There is a dearth of people who can think strategically. Gravity pulls you to tactical and operational levels."

In all fairness, senior executives are, in general, brilliant strategic thinkers ---- able to think strategically about their customers, products, competition and markets. *What is lacking, however, is knowledge of how to translate this thinking into a process that galvanizes the entire organization and provides employees clarity about their role in executing the corporate strategy*. As a result, we see, for example, a statistic from the research indicating that only 5% of corporate employees understand their company's strategy.[4] How then, do IT, and others, gather the necessary prerequisite information that they might later use in determining how best to add value?

Equally deficient is senior executives' knowledge of strategy vernacular and the impact that this has on the resulting performance of the firm. For example, often confused is the difference between a goal and a strategy. In our experience, there are only 6-8 categories that legitimately qualify as goals, i.e., long-term results. (See attachment B) The remainder becomes strategies, or the means to achieve those goals.

In our work with clients, what we see most often is organizations thinking they have articulated a *goal*, when in reality, they have articulated a *strategy*. Whenever this occurs, performance will always be suboptimal. It's like reaching an intermediate destination and thinking that you have arrived at your final destination. An incident from the 1988 Winter Olympics, dramatizes the performance shortfall that occurs whenever the focus is inappropriately placed on the strategy instead of the goal.

Favored to win the gold medal for singles figure skating in the 1988 Olympics was Debi Thomas, from the United States. Taking to the ice, she performed her first triple axel jump. In 1988, this still was an advanced maneuver and Debi did not execute the jump well. Her fingers lightly touched the ice for balance, as she came down from the jump.

After the first missed jump, Debi's performance seemed to deteriorate, and on her second triple axel, she fell to the ice. Going on to complete her routine, Debi barely won the bronze medal, or third place, instead of the gold medal.

Later she was interviewed on television and asked about her deteriorating performance. Visibly irritated by the question, Debi's response was, "What was most important to me at the Olympics was going out there and skating the performance of my life. When I messed up the first jump combination, which was my big move, it hit me that I messed up the program of my life."

What if her goal had been to win the gold medal, instead of skating the performance of her life? Because, you see, she could still have won the gold after that first miscue. Skating the performance of her life was a means, i.e., a strategy to win the gold medal --- not the goal.

In a similar way, organizations that mistake strategies for goals will always end up short of the performance they could have attained. A simple technique that we use is to ask the client, "*Why* would you do that"? If they can answer that question, they have a strategy and not a goal. The "why" is closer to the goal they are actually seeking to achieve.

During the Internet boom, it was not uncommon to see a corporation say that one of their goals was, "to establish a web presence." When we would ask *why* they might do this, we would get answers like, help us establish our brand, reach new customers, sell product, etc. Again, establishing a web presence was a strategy for one of these other possible goals. Indeed, many companies in those days believed that the goal was literally to establish a web presence, and they did so, without any clue as to why they really wanted to do that.

Assuming that the IT organization understands that the IT strategy should be aligned with goals and that the goals are sufficiently stated, the next major challenge is understanding the diverse and varied *business* ways that goals can be achieved. For example, does IT understand cost drivers and ways to reduce them? In addition, does IT understand the following: a) Ways to create competitive differentiation; b) revenue growth strategies; c) sources of competitive advantage; d) achieving product superiority; e) leveraging intellectual capital; f) growing the capabilities of the firm?

Without knowledge of business strategies, i.e., the means a business uses to achieve its goals, how can IT possibly figure out the value-added role that IT can play? And if the IT organization can't figure out how IT accomplishes some of the above initiatives, can we expect the business people to understand IT well enough to do it themselves?

A client that one of us worked with best exemplifies how knowledge of business strategy and use of strategy tools can be used to better align IT and to establish greater respect for the IT organization. In this case, we used one of the most powerful tools we have found in doing either business strategy work or IT alignment --- namely, the "value discipline." Originally proposed by Michael Treacy and Fred Wiersema in their book, *The Discipline of Market Leaders*, it is the result of their research of excellent companies.[5] The authors found that excellent companies tend to excel in one, and only one, of three value disciplines – product leadership, operational excellence and customer intimacy. You have to be good at the other two they added.

Some years ago, a client CIO asked one of us, "What do you do when the strategy of the corporation is not clear?" Our response was that she should give them some alternatives, and having recently been introduced to the value discipline concept, our suggestion was that she use the latter tool to present three different IT strategies, corresponding to the three value disciplines. Later, as she presented her three versions of the IT strategy to the CFO and COO of the company, she concluded her presentation with one page that showed a very large number of proposed IT projects resulting from the three strategies. Somewhat overwhelmed with the magnitude of the proposed effort, the COO remarked that "he didn't get it." Catching himself, he proceeded to add, "I think I do get it. What you are trying to tell me is that unless we are clear about our strategy, you can't be clear about your strategy. I would like to have you come and tell the Board that same message."

In the above case, the COO was absolutely correct. Unless the corporation is clear and focused about their business strategy, IT cannot be clear about their strategy. The value discipline tool is an excellent means to add clarity to the corporate strategy. Instead of trying to be all things to all people, IT can then focus its strategy and align its efforts in support of the primary value discipline.

So far, we have taken the position that optimal IT value-add can only occur when IT adds value to the corporate goals. In the process, we have dismissed alignment with corporate initiatives. A highly significant question might be, "Why is it not possible for optimal value-add to occur at the business unit level?"

IT contributions at the business unit level, while necessary, tend to be suboptimal. The best argument for business unit suboptimization comes from Russell Ackoff, the former Dean of the Wharton School. Viewing the corporation as a system of interdependent parts, then, as Ackoff maintains, improving the parts will not necessarily improve the whole.

> "The performance of a system depends on how its parts interact, not on how they act taken separately. Therefore, when the performance of parts taken separately are improved, it does not follow that the performance of the system as a whole will improve. In fact, in many cases, it will get worse….The properties to be desired of the parts of a system should be derived from the properties desired of the whole, not conversely."[6]

In reality, business units act in their own best interests. Often, metrics and incentives are directed at business unit performance and do not consider the way in which the business unit contributes to corporate performance. Not surprisingly, therefore, IT efforts in support of the business units result in a suboptimal contribution of IT. One CIO told us, "Functional strategies are what you get in the absence of a corporate strategy." Another CIO added, "IT needs to align with the business and transcend the functional needs."

A challenge for us, and a subject for another time is, "How do we balance the required business unit support that we will be called upon to provide with our focus on enterprise goals?" As one CIO told us in the debriefing, "If we don't, we won't be around to focus on corporate goals." Perhaps, and some may consider this wishful thinking, through our leadership and our focus on IT as a strategic resource to help the corporation achieve its goals, other business units may come to realize that they too are strategic resources of the corporation, and as such, need to consider more fully their unique contributions to corporate goals.

Given our highly involved historical role in support of business units, a further argument may need to be made about its suboptimization. Since almost everything we know about strategy has been derived from the military, perhaps a military analogy is the best way for us to dramatize that suboptimization.

Imagine the branches of the military, such as, the Air Force, Army, Navy, Marines and Coast Guard engaged in a war. We know that in warfare, the Air Force is often used to support and protect the army troops on the ground and the ships at sea, but if this were the Air Force's primary mission, its unique contributions to winning the overall war would be severely compromised. For example, eliminating enemy air power and bombing strategic resources of the enemy nation, might never be accomplished. *In a similar way, supporting the business units should not be our primary focus, but rather, we should use our unique capabilities to support the overall goals of the enterprise.*

Earlier we asked if alignment with corporate strategies or initiatives produces suboptimum performance. Using our military analogy again, the Air Force would support strategies that have been established by others, but that alone would not be enough to ensure that the unique strategic capabilities of the Air Force were fully employed in winning the war. *Unless the Air Force Chief of Staff was at the table when the war strategies were developed, there likely would be no strategies developed that uniquely utilize the capabilities of the Air Force*.

Our military analogy, of course, raises a very interesting question for us and for the arguments in this paper --- namely, is IT a legitimate "branch" of corporations (like engineering, marketing, finance, and others), or is it only a support function? In the latter case, we exist only as a means for the greater good of the business units and do not have any unique strategic value that we provide directly to the corporation. As one CIO told us in the debriefing, "If you ask me to support the business, I'm a support function. If you ask me for independent ways to use technology to contribute to business goals, you'll get a strategic component."

A detailed discussion of this fundamental question is reserved for another time, but suffice it for now for us to state our personal opinion that the information function is increasingly becoming the "operations" function in many companies. As such, it deserves a seat at the corporate table as a peer function. And as we will discuss further, if IT is indeed a strategic resource, then it needs to be at the corporate table.

7.2. Recommendations for *achieving* optimal IT value-add

We have discussed several conditions that we feel are necessary for optimal IT value-add to occur. Now, we can make some summary recommendations from these discussions.

> A. Education on strategy for both the corporate officers and the IT executives is an absolute must. People must stop thinking that because they can do strategic thinking about their customers, products, markets and competition, this is all they need to know. Until recently, the strategy literature reinforced this belief with its emphasis on strategic plan creation. More recently, Kaplan and Norton, and others, have made a major contribution by outlining a strategy process that emphasizes strategic plan *execution* – even more than strategic plan creation.[7]
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> B. Part of the strategy education should include an in-depth understanding of the strategy vernacular. There is tremendous confusion and disagreement about the various strategy terms and the role they play. We have already discussed the differences between a goal and a strategy, for example. Seldom do we conduct a

strategic planning engagement in which we are not asked to clear up this confusion of terms on the part of the executive team.

C. IT executives must learn *business* strategy as well as, or better, than corporate executives. We have already mentioned the dearth of this knowledge at senior levels. This represents an excellent opportunity for the IT executives to truly establish credibility with the senior team. We also mentioned earlier that examples of the strategy content areas IT executives must understand are: cost drivers and ways to reduce them, ways to create competitive differentiation, revenue growth strategies, sources of competitive advantage, achieving product superiority, leveraging intellectual capital and growing the capabilities of the firm. *If IT executives can dialogue effectively with the senior team on these topics, the perception of IT as a strategic resource will change immeasurably --- and along with that, the perception of the CIO.*

D. For optimal IT value-add to occur, the corporate strategy must be clearly understood by IT, and for that matter, everyone in the corporation. It is no easy challenge to take volumes of thinking and package it in a way that people can understand and act upon. Being clear about the most important elements of the strategic plan, for example, the goals, helps immeasurably. It also helps to be able to paint a picture of the strategic plan that people can remember. Images, symbols and other short hand instruments are useful in this regard.

E. An important part of optimal value-add is the process itself. As mentioned in our survey results, we found only one example of such a process. What might this process look like?

Most corporations now appreciate the fact that strategic thinking and planning is best done via a group process. We now know that such a process fosters a greater degree of creativity, buy-in on the part of the stakeholders, community building and organizational learning.

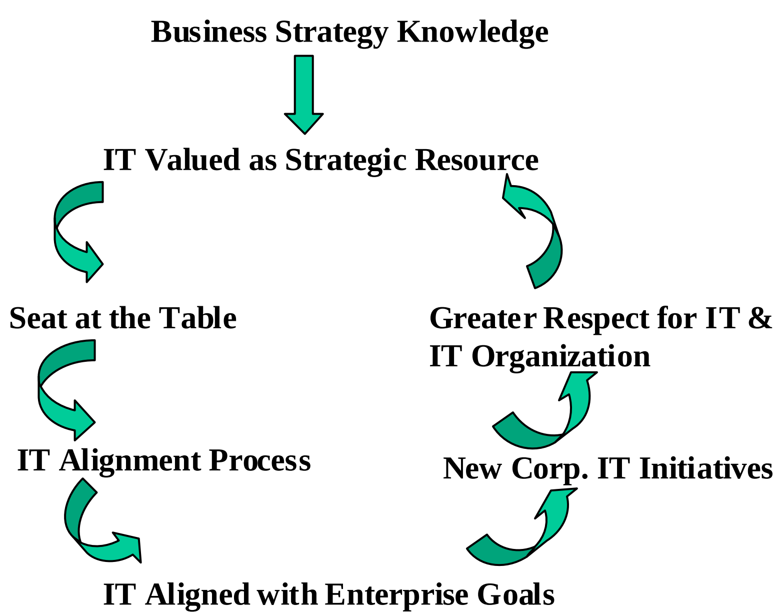
Ideally, the CIO should be a member of the corporate strategic planning process. One CIO commented, “The CIO is a member of the enterprise executive team first, and secondly, looks over IT.” Armed with the strategy knowledge that we recommended above, he or she can suggest ways that the IT resource can creatively be used to help the corporation achieve its business goals. These value-added IT interventions then become corporate initiatives and earn the same degree of attention as other corporate initiatives from finance, manufacturing, and others.

One CIO told us, “There is no IT strategic plan --- only an enterprise plan with an IT component.” Another CIO told us that he did not sit at the table where the corporate strategic plan got made. He added, “You end up aligning with the corporate strategic plan one way or the other, but you can’t be proactive unless you’re at the table. In our case, the corporate strategic plan is not clear enough for even reactive alignment to occur.”

It may sometimes be appropriate to conduct a separate IT strategic planning process with the senior executive team. Contrary to popular belief, senior executives *will* devote up to two days of their time in a group setting discussing how IT can best be used in the corporation to achieve its business goals. We have personally facilitated over 70 of these planning sessions in our careers.

The format for the IT strategic planning session consists of a half day discussion on the corporation's business strategy. During this half day module, the focus is on clarifying the goals of the corporation and ensuring that they are truly goals and not strategies. Work can then proceed on the many ways that IT can add value to these goals. In work that we have done, this usually produces more IT initiatives than can ever be reasonably implemented. The next step, therefore, is to have the group prioritize the IT initiatives. This truly is a major step as the executives reach agreement on the best ways to employ IT over the following 3-5 years. The only thing remaining in the workshop is to then develop an action plan for next steps after the planning session.

We can graphically show the above recommendations and their interdependence via the following "virtuous circle."



What we see from the diagram is that successful IT alignment begins with greater business strategy knowledge on the part of the IT executive. This, in turn, makes it possible to communicate and establish IT's value as a strategic resource to the company. One CIO in our debriefing session underscored this by saying, "A way for the IT executive to build value of IT as a strategic resource is by demonstrating their strategic thinking capability." And if this happens, a seat at the corporate strategy table is more likely to happen. A seat at the table, together with business strategy knowledge and a formal process for IT alignment, will now provide the IT executive the opportunity to align IT with the goals of the enterprise. From this latter step, new corporate IT initiatives will result, which yields greater respect for the IT resource and the IT organization. This last step further deepens the value of IT as a strategic resource for the company.

8. Close

The time has come to make serious progress on IT alignment. In our introduction, we stated that despite all the attention, we are essentially no further along in addressing the issue than we were 20 years ago.

Much has and continues to be done about the issue. Recently, the CIO Executive Council, a distinguished group of senior IT executives, commissioned a study to look at the future, desired traits of the CIO.[8] One of the traits identified was "strategic orientation" --- a phrase suggesting that the future CIO needs only a casual introduction to strategy. With such limiting work, is it any wonder that we have not made further progress in dealing with the IT alignment problem?

More recent work of the CIO Executive Council has come much closer to what is needed. They have identified a spectrum of CIO roles that they describe as Business Strategist, Functional Head and the Transformational CIO.[9] But once again, in describing the Business Strategist CIO, they fail to recognize and call out the underlying importance of business strategy knowledge and its current deficiency.

What is clear from our study is that CIOs cannot afford to sit around and wait for the corporation to "get its strategy act together." CIOs must be proactive and minimally go to the executive team with their assumptions about the strategy of the enterprise. Then, armed with the knowledge of strategy that we have recommended, they can truly have a positive impact on both the corporation and on the perception of the IT organization.

Our hope is that our research will seriously advance the understanding of IT alignment and will motivate IT executives, as well as business executives, to return to the classroom and be educated on strategy. Then, together with an effective process to bring these two groups of individuals together, they will significantly advance the business interests of their respective enterprise, and at last, move us closer to the day when IT alignment no longer appears as an item on the top ten IT issues of the year.

Attachment A

Sample Interview Questions

1. How do you define IT alignment? What does it mean to you?

2. How do you align IT? What is the process used?

3. Is your alignment successful? Why or why not? How do you know it was successful? Did any new IT initiatives result from the process?

4. What was the value-add of your IT alignment process? Competitive differentiation? New products and services? Revenue growth? Greater profitability? Innovation? Other?

5. Do you participate in the corporate strategic planning process? How?

6. What portion of the corporate strategy do you align with and why?

7. Is your corporate strategy clear? Focused? Are the goals clearly stated?

8. Is your IT alignment multiyear, for a single year, or for a portion of a year?

Attachment B

Goal Categories and Some Examples

1. Financial – Profit, Revenue Growth

2. Customer – Desired Customer Outcome

3. Competition – Market Share Gain, Desired Competitive Position

4. Market – Entry or Exit into Major Markets

5. Regulatory – Sarbanes Oxley, Y2K

6. People – Desired Outcome for People in the Organization

7. Culture – Desired Kind of Organization to Work In

8. Developmental – Future Desired Organizational Capabilities

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