

Diagnosing Your Organization

The chart on these pages is a rating system that will help you evaluate your company's level of alignment and set goals to improve it. The rating is done by selecting the definitions that best describe your business practices. Each description corresponds to a level of alignment: Level 1 is the weakest; Level 5 is the strongest. Level 1 companies lack the processes and communication needed to attain alignment; in Level 5 companies, IT and other business functions (marketing, finance, R&D, etc.) adapt their strategies together using fully developed processes that include external partners and customers. CIOs should seek to attain and sustain this fifth and highest level of alignment. The evaluation has four steps:

- 1. Form the assessment team.** Create a team of IT and business executives to perform the assessment. Ten to 30 executives typically participate depending on whether a single business unit or the entire enterprise is being assessed.
- 2. Gather information.** Team members should assess each of the 38 alignment practices and determine which level, from 1 to 5, best matches their organization. This can be done in three ways: in a facilitated group setting; by having each member complete a survey and then meeting to discuss the results; or by combining the two approaches, if it is not possible for all the group members to meet.
- 3. Decide on individual scores.** The team agrees on a score for each practice. The most valuable part of the assessment isn't the score, but understanding its implications for the entire company and what needs to be done to improve it.
- 4. Decide on an overall score.** The group reaches a consensus on what level to assign the organization. This is done by averaging the individual scores. Some companies adjust the average because they give more weight to particular practices.

This overall score can be used as a benchmarking aid to compare different organizations and to see how organizations improve over time. Fortune 500 executives who have used this tool for the first time have usually rated their organization, on average, as a 2, although they score a 3 for a few criteria.

GLOSSARY

COMMUNICATION The exchange of ideas, knowledge and information among the IT and business organizations, enabling both to have a clear understanding of the company's strategies, business and IT environments, priorities and what must be done to achieve them.

METRICS The use of measures that demonstrate the contribution of IT and the IT organization to the business, in terms that the business understands and accepts.

GOVERNANCE The degree to which the authority for making IT decisions is defined and shared among management, and the processes managers in both IT and business organizations apply in setting IT priorities and the allocation of IT resources.

PARTNERSHIP The relationship between the business and IT organizations, including IT's involvement in defining business strategies, the degree of trust between the two organizations, and how each perceives the contribution of the other.

TECHNOLOGY The extent to which IT is able to provide a flexible infrastructure, evaluate and apply emerging technologies, enable or drive business processes, and provide customized solutions to meet customer and internal needs.

HUMAN RESOURCES This includes practices such as training, performance feedback, encouraging innovation and providing career opportunities, as well as the IT organization's readiness for change, capability for learning and ability to leverage new ideas.

COMMUNICATION

Understanding of Business by IT	IT management lacks understanding
Understanding of IT by Business	Managers lack understanding
Organizational Learning	Casual conversation and meetings
Style and Ease of Access	Business to IT only; formal
Leveraging Intellectual Assets	Ad-hoc
IT-Business Liaison Staff	None or use only as needed

METRICS

IT Metrics	Technical only
Business Metrics	IT investments measured rarely, if ever
Link Between IT and Business Metrics	Value of IT investments rarely measured
Service Level Agreements	Use sporadically
Benchmarking ¹	Seldom or never
Formally Assess IT Investments	Don't assess
Continuous Improvement Practices ²	None

GOVERNANCE

Formal Business Strategy Planning	Not done, or done as needed
Formal IT Strategy Planning	Not done, or done as needed
Organization Structure	Centralized or decentralized ⁴
Reporting Relationship	CIO reports to CFO
How IT is Budgeted	Cost center; spending is unpredictable
Rationale for IT Spending	Reduce costs
Senior-level IT Steering Committee(s)	Don't have
How Projects are Prioritized	React to business or IT need

PARTNERSHIP

Business Perception of IT	Cost of doing business
IT's Role in Strategic Business Planning	Not involved
Shared Risks and Rewards	IT takes all the risks, receives no rewards
Managing the IT-Business Relationship ³	IT-business relationship isn't managed
Relationship/Trust Style	Conflict and mistrust
Business Sponsors/Champions	Usually none

TECHNOLOGY

Primary Systems	Traditional office support
Standards	None or not enforced
Architectural Integration	Not well integrated
How IT Infrastructure is Perceived	A utility; run at a minimum cost

HUMAN RESOURCES

Innovative, Entrepreneurial Environment	Discouraged
Key IT HR Decision Maker(s)	Top business and IT management at corporate level
Change Readiness	Tend to resist change
Career-Crossover Opportunities	Job transfers rarely occur
Cross-Functional Training and Job Rotation	No opportunities
Social Interaction	Minimal IT-business interaction
Attract and Retain Top Talent	No retention program; poor recruiting

¹ Includes informal benchmarking (interviews, literature searches, company visits) and formal benchmarking (quantitative data comparison, determining best practices).

² For example: quality circles, quality reviews.

³ For example: cross-functional teams, training, risk/reward sharing.

⁴ Centralized means a corporate IT unit (or another central unit) has primary authority for architecture, standards and application resource decisions; decentralized means each functional unit has responsibility for these areas.

LEVEL 2

Beginning Process

LEVEL 3

Established Process

LEVEL 4

Improved Process

LEVEL 5

Optimal Process

Limited understanding by IT management	Good understanding by IT management	Understanding encouraged among IT staff	Understanding required of all IT staff
Limited understanding by managers	Good understanding by managers	Understanding encouraged among staff	Understanding required of staff
Newsletters, reports, group e-mail	Training, departmental meetings	Formal methods sponsored by senior management	Learning monitored for effectiveness
One-way, somewhat informal	Two-way, formal	Two-way, somewhat informal	Two-way, informal and flexible
Some structured sharing emerging	Structured around key processes	Formal sharing at all levels	Formal sharing with partners ⁸
Primary IT-business link	Facilitate knowledge transfer	Facilitate relationship-building	Build relationship with partners

Technical, cost; metrics rarely reviewed	Review, act on technical, ROI metrics	Also measure effectiveness	Also measure business opportunities, HR, partners
Cost/unit ⁵ ; rarely reviewed	Review, act on ROI, cost	Also measure customer value	Balanced scorecard, includes partners
Business, IT metrics not linked	Business, IT metrics becoming linked	Formally linked; reviewed and acted upon	Balanced scorecard, includes partners
With units for technology performance	With units; becoming enterprisewide	Enterprisewide	Includes partners
Sometimes benchmark informally	May benchmark formally, seldom act	Routinely benchmark, usually act	Routinely benchmark, act and measure results
Only when there's a problem	Becoming a routine occurrence	Routinely assess and act on findings	Routinely assess, act and measure results
Few; effectiveness not measured	Few, starting to measure effectiveness	Many, frequently measure effectiveness	Practices and measures well-established

At unit functional level; slight IT input	Some IT input and cross-functional planning	At unit and enterprise, with IT	With IT and partners
At unit level; slight business input	Some business input and cross-functional planning	At unit and enterprise, with business	With partners
Centralized or decentralized; some co-location ⁶	Centralized, decentralized or federal ⁷	Federal	Federal
CIO reports to CFO	CIO reports to COO	CIO reports to COO or CEO	CIO reports to CEO
Cost center by unit	Some projects treated as investments	IT treated as investment	Profit center
Productivity, efficiency	Also a process enabler	Process driver, strategy enabler	Competitive advantage, profit
Meet informally as needed	Formal committees meet regularly	Proven to be effective	Also includes external partners
Determined by IT function	Determined by business function	Mutually determined	Partners' priorities are considered

Becoming an asset	Enables future business activity	Drives future business activity	Partner with business in creating value
Enables business processes	Drives business processes	Enables or drives business strategy	IT, business adapt quickly to change
IT takes most risks with little reward	IT, business start sharing risks, rewards	Risks, rewards always shared	Managers are given incentive to take risks
Managed on ad-hoc basis	Processes exist but not always followed	Processes exist and complied with	Processes are continuously improved
Transactional relationship	IT becoming a valued service provider	Long-term partnership	Partner, trusted vendor of IT services
Often have a senior IT sponsor/champion	IT and business sponsor/champion at unit level	Business sponsor/champion at corporate level	CEO is the business sponsor/champion

Transaction oriented	Business process enabler	Business process driver	Business strategy enabler/driver
Defined, enforced at functional level	Emerging coordination across functions	Defined, enforced across functions	Also coordinated with partners
Within unit	Integrated across functions	Begins to be integrated with partners	Integrated with partners
Becoming driven by business strategy	Driven by business strategy	Beginning to help business respond to change	Enables fast response to changing market

Somewhat encouraged at unit level	Strongly encouraged at unit level	Also at corporate level	Also with partners
Same, with emerging functional influence	Top business and unit management; IT advises	Top business and IT management across firm	Top management across firm and partners
Change readiness programs emerging	Programs in place at functional level	Programs in place at corporate level	Also proactive and anticipate change
Occasionally occur within unit	Regularly occur for unit management	Regularly occur at all unit levels	Also at corporate level
Decided by units	Formal programs run by all units	Also across enterprise	Also with partners
Strictly a business-only relationship	Trust and confidence is starting	Trust and confidence achieved	Attained with customers and partners
IT hiring focused on technical skills	Technology and business focus; retention program	Formal program for hiring and retaining	Effective program for hiring and retaining

⁵ Here and elsewhere in the chart, unit refers both to functional organizations (such as the sales, marketing or human resources function), or business units (product or service areas, or profit centers).

⁶ Co-location means locating IT personnel with business personnel.

⁷ Federal means a corporate IT unit (or another central unit) has primary responsibility for architecture, common systems and standards decisions, while each functional unit has primary authority for application resource decisions.

⁸ Here and elsewhere in the chart, partners include vendors, outsourcers and paying customers.