



Eight Steps to Align Business and IT around Information Delivery

A Baseline Approach

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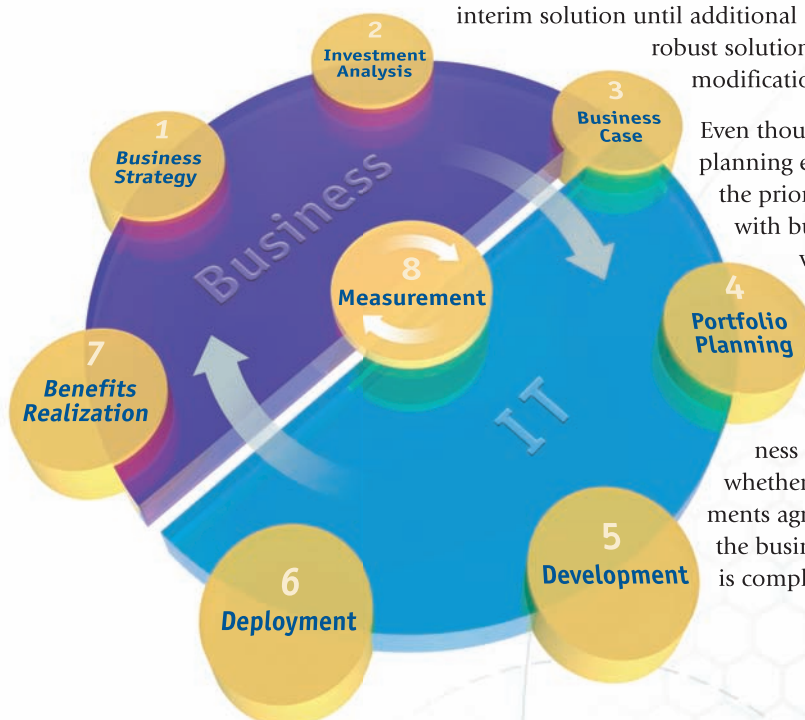
Baseline Consulting uses the *Eight Steps to Align Business and IT* diagram to help its clients understand how alignment can be formalized into planning business intelligence initiatives, application development projects and data integration programs. The “business” hemisphere reflects activities for which the sponsoring business function (e.g., customer support, marketing, finance) is primarily accountable, and the “IT” hemisphere reflects activities for which the IT and data functions are largely accountable.

Who’s Responsible?

In the context of alignment, accountability does not mean that the “non-accountable” party is off-the-hook and uninvolved. Nor does it mean that responsibility is tossed from one to the other at Steps 3 and 6. Instead, primary accountability goes to the organization with the greatest expertise for key activities at the given point in the lifecycle.

IT has a “business” strategy, just like every other function in the business. IT’s strategy typically includes things like an enterprise architecture, capacity plan, upgrade program, and timetables for extending, supporting and maintaining systems infrastructure required to sustain the strategies and tactics of all other functions within the organization. The IT strategy is what IT brings to the table as a stakeholder in a business initiative—it may put constraints on the business solution, it may imply an interim solution until additional infrastructure can be developed to support a more robust solution, or the business value may be so great that it drives modification of the IT strategy.

Even though IT brings special skill and knowledge to the planning effort, the business sponsor has the final say about the priorities of business needs, how the solution interfaces with business users, its value to the company and how that value will be measured—not IT. By the same token, business stakeholders don’t get to dictate the solution approach and foundational technologies. IT has the expertise and perspective to make the best decisions for that part of the lifecycle. However, once development is done it’s the business sponsor who is accountable for determining whether or not the solution meets the business requirements agreed upon before development started. Therefore, the business is also accountable for deciding when a project is complete.



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Aligning Priorities

There is an interesting co-responsibility that best practice companies have adopted: Portfolio planning and management. A portfolio is a collection of applications identified by and driven by the business. Each application is profiled just enough to identify dependencies among applications but not sufficiently to proxy for scoping and requirements. The portfolio is important in allocating scarce IT resources to development and enhancement projects based on their relative value across the enterprise.

Portfolio management is a formal repeatable process for prioritizing, adding, deleting and modifying applications.

Responsibility for facilitating regular review and execution of the process may reside with IT, working alongside an enterprise data management function, and collaborating with Finance because of the relationship with budget, or with a cross-functional program manager—typically associated with an enterprise data warehouse or business intelligence program.

Regardless of who facilitates the process, portfolio management is cross-functional. The resulting priorities represent a weighted assessment of value, risk and cost to the business, including IT considerations. Portfolio management results in a list of business applications for development and deployment that the enterprise has agreed is from current highest to lowest priority. Applications lower on the list may change priority over time, but IT has marching orders for the first few efforts.

As a cross-functional activity, each stakeholder is accountable for accurately representing the value, benefits and risks of the applications identified by his department. The relevant stakeholders are held accountable for overstating value or failing to adequately anticipate business risks. IT is accountable for failing to adequately anticipate technical risks for both the project and the operational application. A best practice portfolio management process represses the ability to divert resources to the “squeaky wheel” or make decisions based on political intrigue. Similarly, the process allows sponsors on both business and IT sides to marginalize those who try to game the system for their own benefit, holding them accountable for articulating high-impact business requirements. Instead, best practice portfolio management leverages and enhances the communication between the business and IT that started with planning.

A Word about Measuring Value

In most models, measurement is represented once at the end of the cycle. When the metrics selected are relevant, they provide actual performance data for comparison with performance forecast during planning, and imply opportunities for continuous improvement and enhancement. The *Eight Steps*

diagram, however, shows two measurement efforts at Steps 7 and 8. Separating measurement has allowed Baseline clients to explore investment and business plan performance as a topic separate from measuring the efficiency and effectiveness of the cycle itself. In practice, they're part of the same continuous cycle.

Realizing Benefits

Benefit realization focuses on measuring how well goals and objectives from the plan were met, and how closely actual performance matched the forecast used to justify investment. Underlying assumptions include:

- ❖ The sponsor selected metrics that are relevant and sufficient to profile the performance of the target business activity.
- ❖ Current benchmarks that will be compared with the post-implementation performance are relevant, complete and accurate.
- ❖ A reliable mechanism for gathering performance data is in place or is included in the project plan.

In most cases, measurement of benefits realization will continue in subsequent years and create performance history that can be used for future forecasts and modeling. Occasionally, there will be some short-term measurement used to demonstrate financial performance—return on investment or payback projections for example—or one-time gains. For example, a project that enables business process redesign might be measured for anticipated changes in employee productivity for a specified period after deployment; it won't be an ongoing business performance measurement.

Metrics usually vary based on the company's size, vertical industry and culture. Some are very specific—for instance, reduction in duplicate addresses—while others, like Return on Investment (ROI) are broad and often contextual. Some examples include:

- ❖ ROI: Often companies use pre-facto ROI estimates as a determining factor in project approval, and then use those estimates to measure success once initial implementation is complete.
- ❖ Consensus of need: Determining whether an application should be prioritized often depends on the breadth of organizational need. This translates into adoption levels once the application is deployed.
- ❖ Data availability: Identifying if the data is missing or difficult to obtain, irrespective of how important an application is. After deployment, this can translate into a data usage measurement.

- ❖ Strategic impact: Applications like churn analysis or customer dashboards can avail new information that translates into nothing less than higher customer satisfaction scores or increased share of wallet. Measuring such improvements can justify an application's funding long after the initial release.

Note that realization of benefits may measure objectives for the business, IT or both. Business metrics for a marketing intelligence application designed to increase conversion of customers to an up-sell offer might include "conversion ratio" and "number of cancellations." IT metrics for the same application would come from the service level agreement (SLA) negotiated with Marketing, and might include "conversion transaction data latency" and "untrapped bad addresses."

Whatever is measured is agreed upon before solution design and development ever begins; the metrics and performance thresholds are specified during the requirements phase. The more communication between business and IT stakeholders through the planning process, the crisper the metrics, and the more likely there will be a meaningful correlation between business and IT measurements.

Measurement

Whereas benefits realization measures business value associated with a project or program, Step 8 focuses on the business value of the planning lifecycle itself. The purpose is to capture data for analysis that can help identify opportunities for continuous improvement.

The most universal example for this kind of measurement involves comparing project forecast with actual performance. What was the variance between the forecast and actuals? A variance greater than ten to fifteen percent in either direction is a common threshold for improvement; but only analysis can zero in on what is or isn't working well enough, which planning assumptions are or are not holding, and how they can they be changed to more accurately predict performance.

A less obvious measurement for continuous improvement gets at the quality of communication between business and IT. The better the communication and acceptance of responsibility during planning, the fewer surprises upon deployment, and the more expected the results. Just as with improving the accuracy of forecasting, identifying the best actions to take for improving communication, and therefore alignment, requires more than just performance data. It requires analysis and a commitment on the part of all stakeholders to make the process work better.

Adaptation Is Required

Keep in mind that the Baseline's *Eight Steps to Align Business and IT Around Information Delivery* is an archetype designed to promote discussion. It can be customized according to the company's sanctioned governance or steering committee processes. Indeed, the process in any given organization would differ depending on the presence or absence of a formal business planning and budgeting process, formal data management and governance infrastructure, project definition and management methodology (e.g., requirements, scoping and solution design precede development activities), and enterprise performance measurement standards.

If your company does not have a formal business planning process or an illustrated representation of it, Baseline's *Eight Steps* may help you get started. The simple division of accountability within the planning-development-deployment-measurement cycle—i.e., showing that the business is accountable for the areas where they have expertise (what) and IT is accountable for the areas where they have expertise (how)—can begin to build alignment into planning business initiatives and technology-enabled projects.





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