

Moving Beyond (Local) Alignment : Creating Value Through IT-Business Engagement

MIS Research Center (MISRC)

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Agenda

- **Alignment: Often driven by local objectives**
- **The challenge:**
Leveraging IT to achieve both local and global objectives
- **The solution:**
Focus strongly at the enterprise level
- Extend local alignment with linking mechanisms
- Broader view enabled by IT Engagement Model
- **The three components of an IT engagement model**
 - Company-wide IT governance
 - Project management
 - Linking mechanisms: enhancing user participation
- **Case studies**
- **Initial findings in survey**
- **Lessons learned**



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About the Research

- **Interpretive Longitudinal Field Study of BT**
 - Three years of data collection
 - Data: interviews (over 30 managers); attendance of key meetings; internal and public documents.
- **Twelve In-depth case studies**
 - IT and non-IT managers interviewed at each company
 - Collected data on IT governance, project management, and linking mechanisms
 - Examples: TD Banknorth, State Street, MetLife
- **Survey data**
 - Survey data from 162 companies on how they use linking mechanisms
 - In process of analyzing data
- **Theoretical Foundations**
 - Coordination theory
 - Control
 - Cross-boundary knowledge sharing
 - Business-IT alignment



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IT-Business Alignment

- **Alignment as View of Structure**
 - Metrics: Decision rights, Participation in governance mechanisms
 - Configurational view, e.g. link between IT strategy and business strategy, roles linking IS and Clients
 - Snapshot at specific point in time
- **Alignment as View of Process**
 - Process metrics e.g. shared responsibility, psychological ownership
 - Ongoing journey, firm never achieves limits of alignment

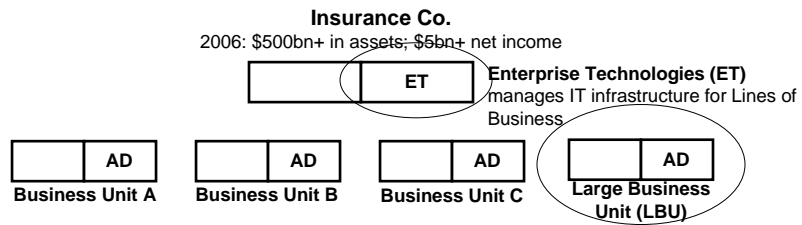
We adopt the view of Engagement as comprising elements of both structure and process



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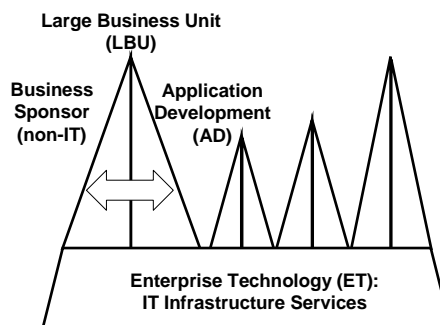
Pursuing enterprise-wide synergies at Insurance Co.



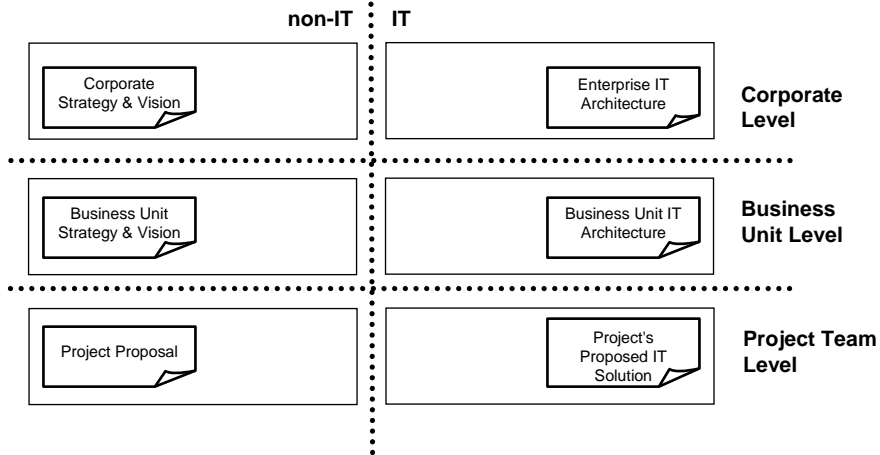
- Relations between AD and rest of LBU OK; between LBU and ET not OK
- ET costs increasing, a "black hole" and a source of frustration
- The challenge: cut \$12m of IT costs, however you can



Pursuing enterprise-wide synergies at Insurance Co.



Achieving Both Local and Global Objectives Involves Engaging Six Key Internal Stakeholder Groups

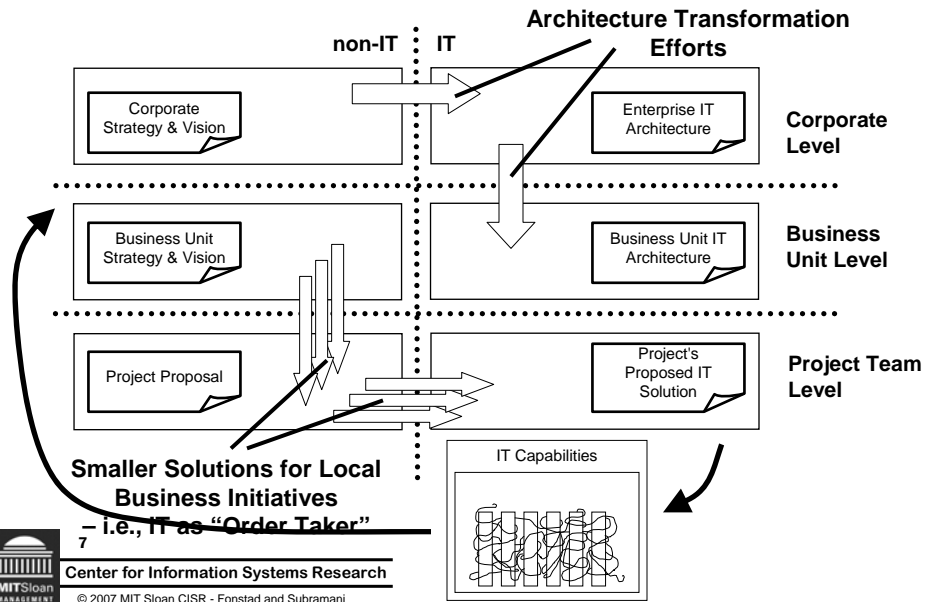


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Traditional Approaches driven by Alignment



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IT Engagement Model

Definition: A system of governance mechanisms targeted at ensuring that IT-enabled change projects achieve both local and enterprise-wide objectives

An effective IT engagement model:

- 1) **Aligns** the interests and efforts of IT and non-IT stakeholder groups; and
- 2) **Coordinates** the interests and efforts of different business units and organizational levels (e.g., coordinate between project, LoB, and enterprise level efforts).

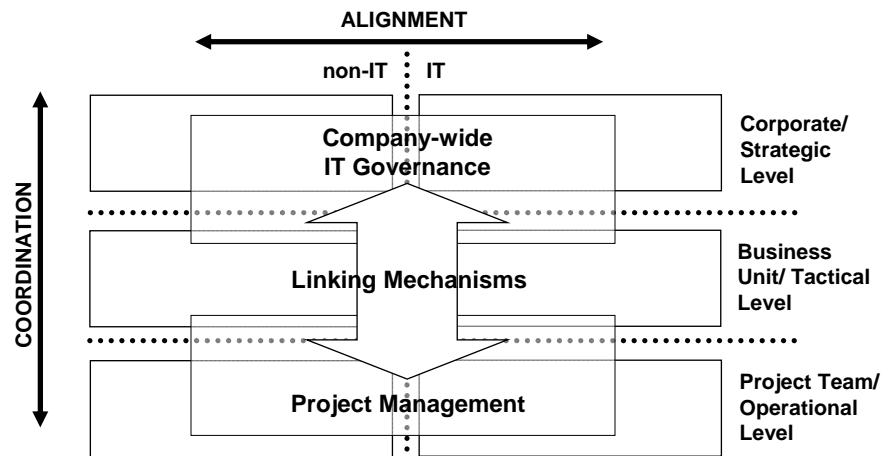


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The IT Engagement Model Has Three Components

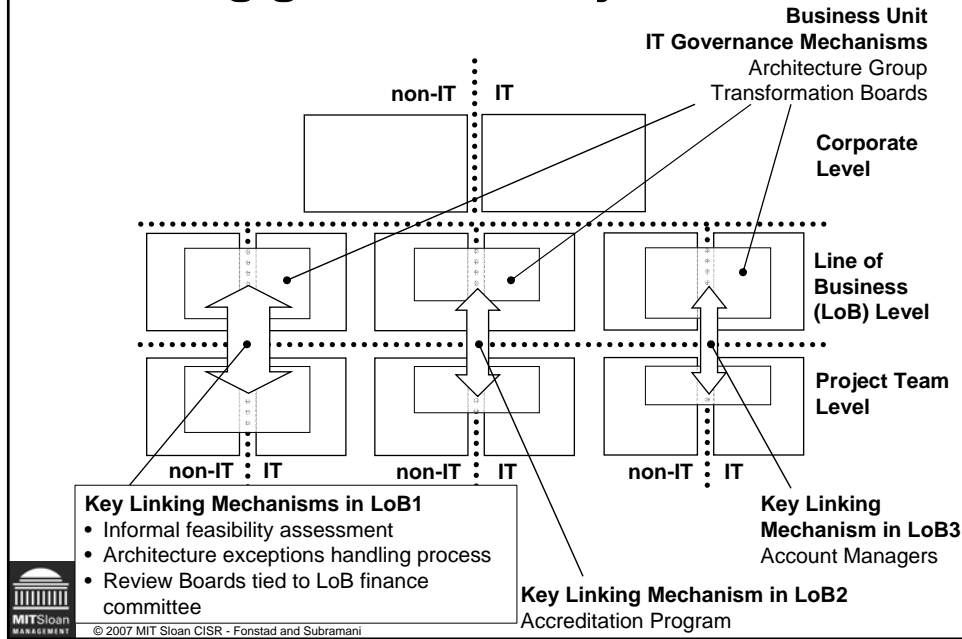


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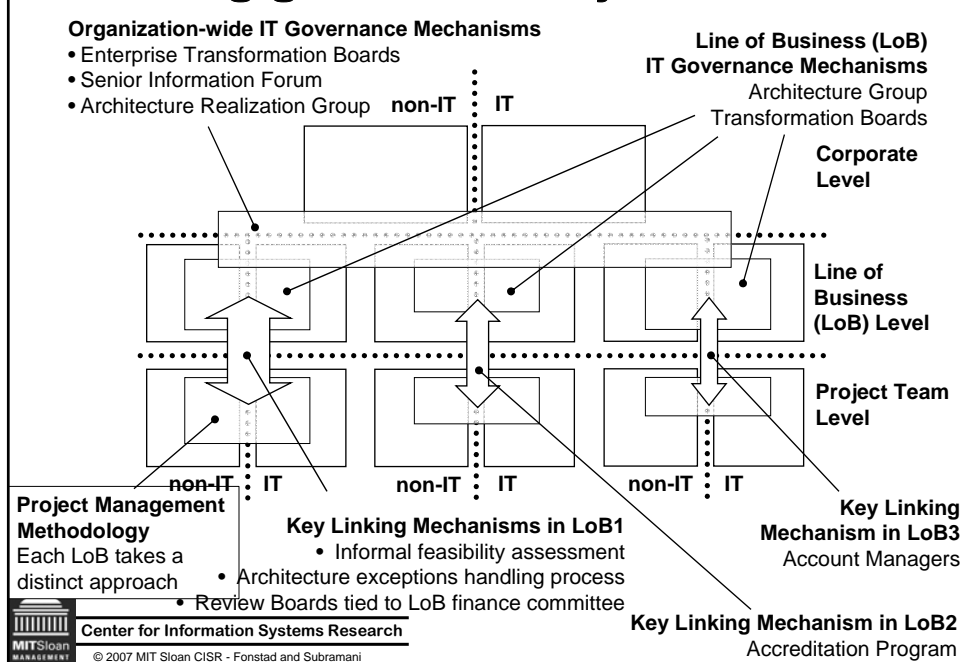
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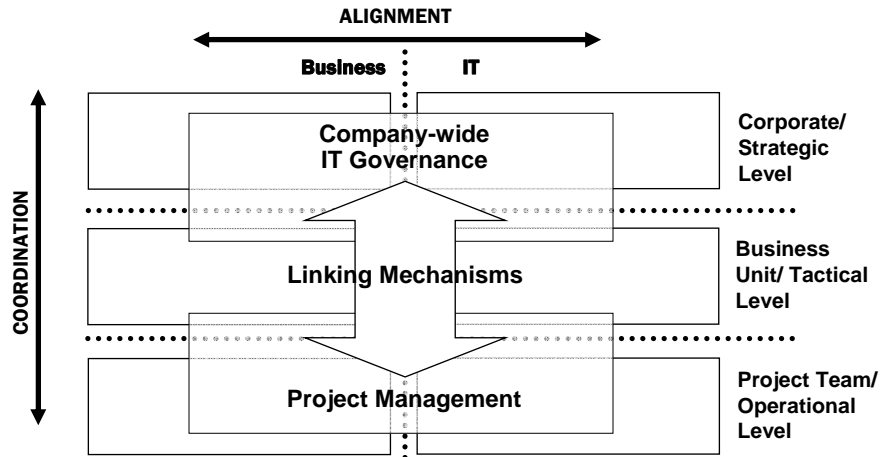
BT's IT Engagement Model: May 2002



BT's IT Engagement Model: May 2004



The Key Third Component to Good Engagement: Good *Linking Mechanisms*



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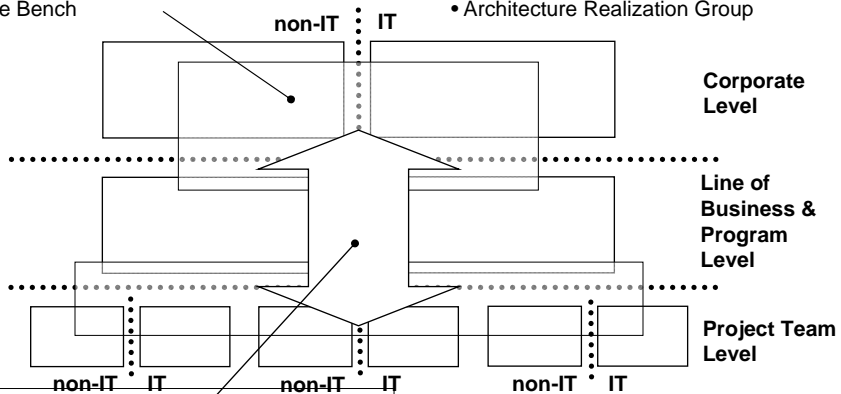
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BT's IT Engagement Model: May 2006

Organization-wide IT Governance Mechanisms

- CIO participates in key Corporate Committees
- "One IT" Centralized IT Organization
- The Bench
- IT Board
- IT Committee
- Technology Leadership Group
- Architecture Realization Group



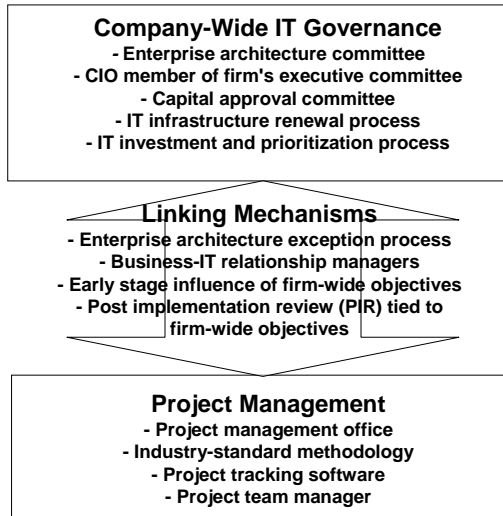
Linking Mechanisms

- All projects must belong to one of 29 programs
- Programs follow Agile Delivery & 90-day Cycle
- Hothousing
- ROI Business Case
- Post Implementation Reviews
- Business Unit CIO teams strategically focused
- Architecture Conformance Framework Process
- Calendar of commitments
- Bonuses tied to corporate and program objectives



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Mechanisms to Achieve Engagement

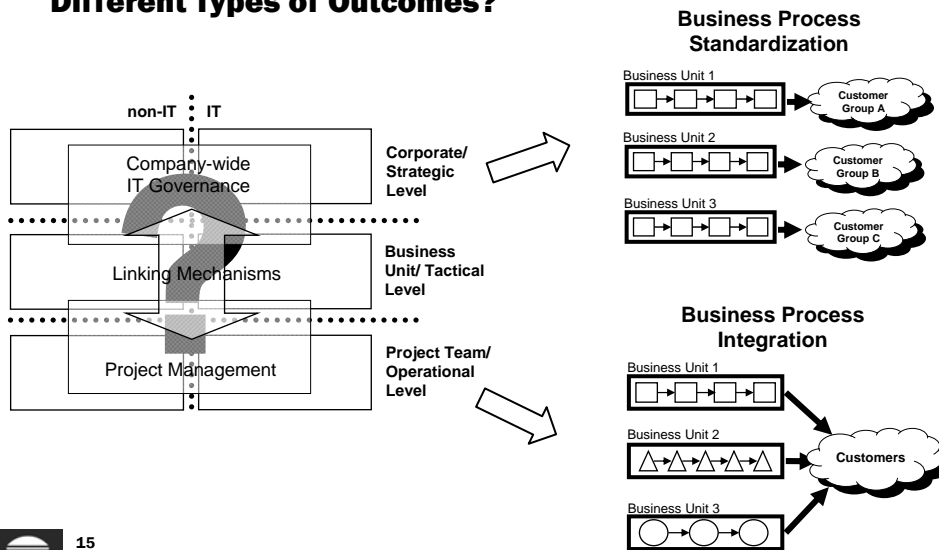


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The IT Engagement Model Survey: What Types of Engagement Correlate with Different Types of Outcomes?



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Example of IT Engagement Model Survey Results

Linking Mechanisms (A)	Percent of firms using mechanism (B)	Percent of firms using mechanism with joint corp. involvement (C)	Impact of joint corp. involvement on business process integration in firms with...	
			... low alignment (D) ²	... high alignment (E) ²
1. Accountability for project outcomes	93	29	-	+
2. Program management office	85	22	-	++
3. Post-implementation review of IT projects	78	22	-	+
4. Local incentives tied to organization-wide objectives	52	19	-	++
5. Early involvement in project requirements	96	29	0	+
6. Project prioritization process	88	54	0	++
7. Business-IT relationship management role	85	32	0	++
8. Early influence of enterprise architecture on projects	78	9	0	+
9. Business cases for projects	95	34	+	0
10. Risk assessment of projects	78	25	+	0
11. Project gates tied to organization-wide objectives	67	31	+	+
12. Enterprise architecture performance process	62	5	+	++

1. All results are statistically significant. Results based on 2007 survey of IT executives from 130 companies. Alignment consists of four questions on the extent to which IT and non-IT executives: a) share responsibilities for deriving business value from IT; b) have a high level of understanding of each other's missions, objectives, and plans; c) consult each other; and d) routinely share knowledge. The impact of corporate level involvement was assessed by holding the level of alignment constant (e.g., at low or high) and comparing the level of business process integration achieved by firms using each mechanism. Using data from the subset of firms indicating a high level of alignment, we ranked the mechanisms based on the impact of corporate level involvement on business process integration. The top five mechanisms on this list are indicated here.

2. Key to symbols: "-" = negative impact; "0" = insignificant impact; "+" = positive impact; "++" = one of the five mechanisms in which joint participation had the greatest impact.

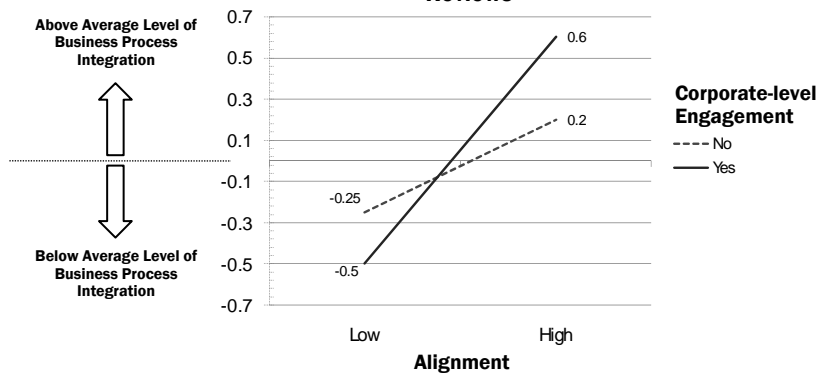


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Effective organizations do not have corporate-level engagement at post implementation reviews without alignment¹

Business Process Integration and Post Implementation Reviews¹



¹ All results are statistically significant. Results based on survey conducted in 2007. Survey participants were senior IT executives from 118 companies. Business Process Integration is a factor made up of six items, such as: Core business processes are integrated across business units; Business units regularly share data as part of their daily operations; and Data from core business processes are integrated across business units. Alignment is a factor made up of the following items: IT and non-IT executives share responsibilities for deriving business value from IT; IT and non-IT executives have a high level of understanding of each other's missions, objectives, and plans; IT and non-IT executives rarely consult each other (negatively weighted). Corporate-level engagement refers to IT and non-IT stakeholders from the corporate level participate in a mechanism.

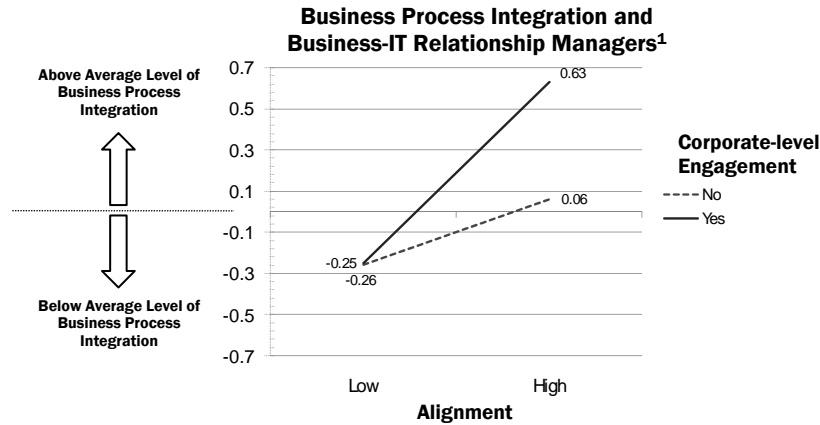


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Wasteful Engagement



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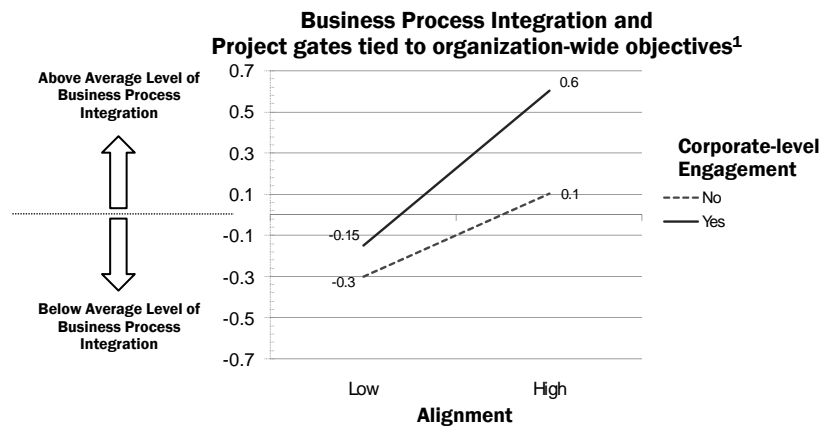


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Fruitful Engagement



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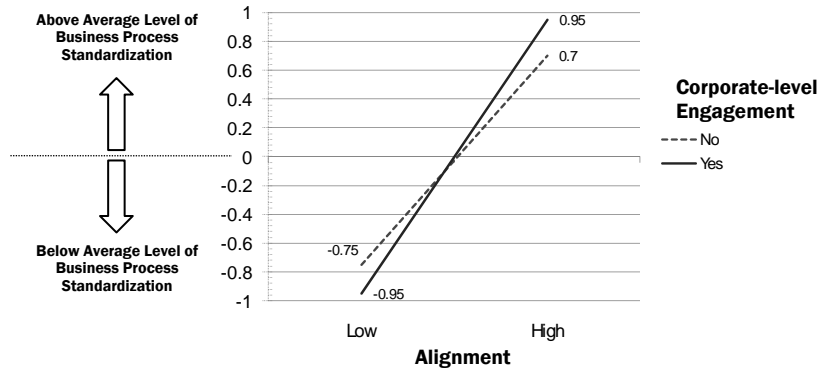
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Premature Engagement

Business Process Standardization and Post Implementation Reviews¹



¹ All results are statistically significant. Results based on survey conducted in 2007. Survey participants were senior IT executives from 118 companies. Business Process Integration is a factor made up of six items, such as: Core business processes are integrated across business units; Business units regularly share data as part of their daily operations; and Data from core business processes are integrated across business units. Alignment is a factor made up of the following items: IT and non-IT executives share responsibilities for deriving business value from IT; IT and non-IT executives have a high level of understanding of each other's missions, objectives, and plans; IT and non-IT executives rarely consult each other (negatively weighted). Corporate-level engagement refers to IT and non-IT stakeholders from the corporate level participate in a mechanism.



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Key Lessons from Our Studies

- **Achieving enterprise-wide synergies involves distributing and coordinating responsibilities across multiple IT and non-IT stakeholders**
 - alignment between business owners and application development ("local alignment") is important however insufficient for long-term business value from IT
 - coordinating multiple local alignments also necessary
- **Distributing and coordinating responsibilities:**
 - defining global objectives and rules
 - relating individual local efforts to global objectives
 - creating choices with business consequences
 - making implications of decisions transparent
- **Linking mechanisms support key activities**
 - Users developing broadened vocabulary
 - common artifact relating local efforts to global objectives

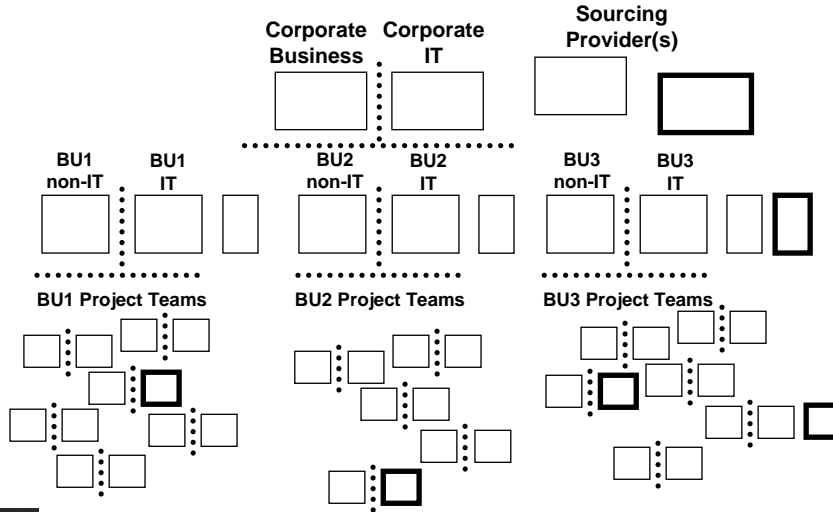


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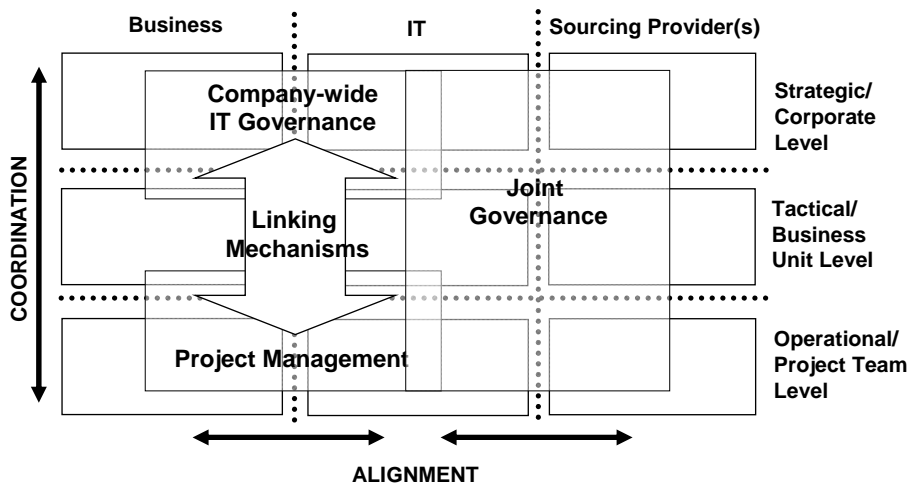
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Firms increasingly rely on a global network of service providers



Engagement across boundaries is essential to organizational integration...



Thank You!



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