

# Business to IT Alignment

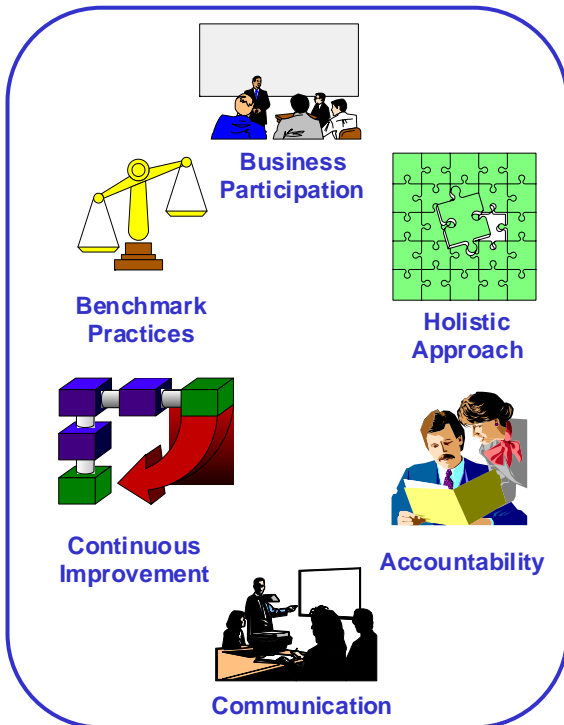
## Business to IT Alignment

### Introduction

Thirty-five companies from Asia, Europe, North America and South America have participated in the IT Transformation Benchmark Consortium. This whitepaper presents several key areas of IT competency that have been shared to produce world-class IT organizations. These competencies are particularly important today with the advent of eBusiness and the need to support highly visible (especially to stockholders and the public) Internet and Intranet applications.

Across the best practices, several common themes are apparent, most notably a focus on business needs, joint action by IT and business units, a holistic approach to projects and systematic learning from past experience.

- A consistent focus on business unit needs and wants, with processes designed to ensure business unit participation and "buy-in" to IT plans and projects



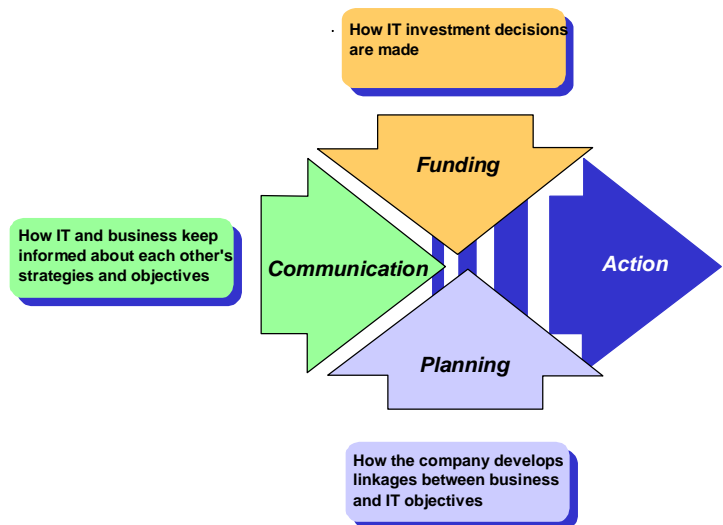
- A holistic approach to projects, with IT projects imbedded within business projects which encompass broader aspects of change
- Effectively establishing joint (IT and business unit) accountability for results, to ensure delivery of value

- Effective two-way communications between IT and business unit staff at all levels and, importantly, cross-organizational communication as well as measuring top-down communication within IT.
- Systematic learning from past experience, supported by mechanisms for capturing and sharing lessons learned, leading to continuous improvement of processes
- Frequent comparisons with other companies to establish an external benchmark as the basis for improvement.

**Alignment is the fusion of business and IT plans, Budgeting, and communications resulting in focused action towards key business objectives. Business and IT Alignment is the on-going process of managing the interaction of IT and the business units in a changing environment.**

### Business and IT Alignment

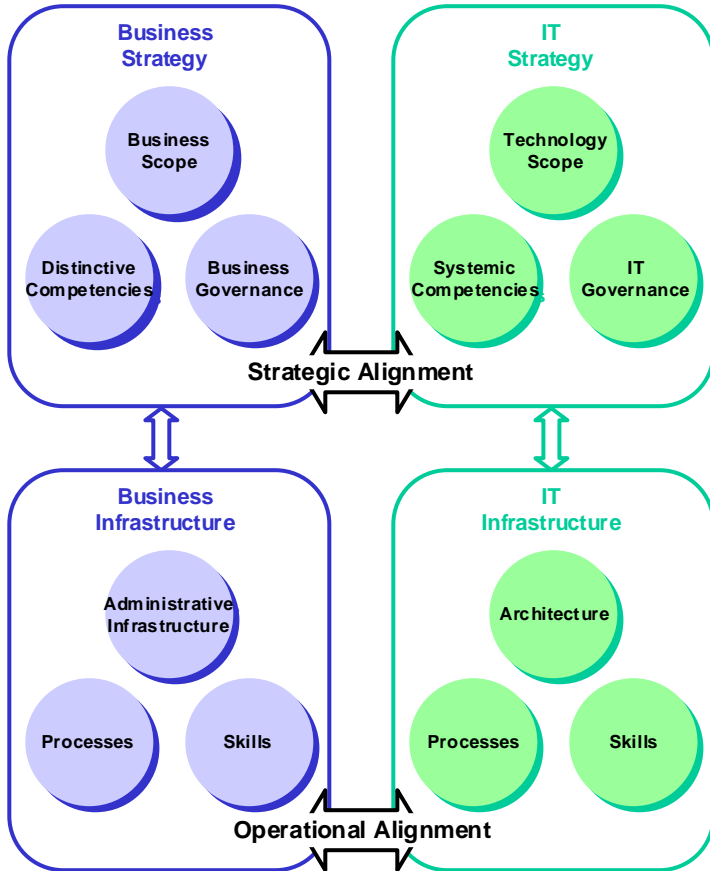
Aligning the strategies and operational plans of IT and their internal customers is the most important issue for firms in the 1997 benchmark study. IT has the potential not only to support chosen business strategies but also to shape them. Yet, there is concern among some companies that the anticipated value of IT investment is not being achieved. A decade of academic study by Dr. J.C. Henderson and Dr. N. Venkatraman of Boston University indicates that the inability to realize value from IT investments is due, in part, to lack of alignment between the business and IT strategies of the organization. A conceptualization of alignment based on their work (see right-hand side of this



page) illustrates four ingredients of alignment: business strategy and infrastructure and IT strategy and infrastructure. Their work, echoed by many

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other leading academics in the field, has as its premise that a company chooses a suitable



infrastructure for each strategy by ensuring that the internal arrangements of the company fit its market position. In addition, the company recognizes that effective management requires a balance across all four ingredients. As indicated in the accompanying diagram, this balance can be sought either at the strategic or operational levels. Either type of alignment can be successful. The attributes or characteristics of best practices vary depending on which is implemented.

## Operational Alignment

Three quarters of the benchmark firms operate primarily in an operational alignment mode. Most commonly, business strategy is the starting point from which both organizational and IT infrastructure is derived.

Operationally aligned firms tend to think of internal business units as their customers. Focusing on the needs of these units, such firms strive to develop a world-class internal service organization. IT strategy in these firms creates the capacity to meet customer needs.

## Strategic Alignment

Strategic alignment is achieved by having a linked business strategy and IT strategy, which are then executed at the operational levels of the firm. Strategically aligned firms tend to view IT as a key collaborator, leading to revised business strategy. Successful strategic alignment hinges on sound execution at the operational level. Either business or IT senior management may provide the technology vision that best supports the business strategy. This greater role of senior management is demonstrated in the benchmark companies. (See the chart on this page). In operationally aligned companies business unit managers more commonly sponsor IT investments.

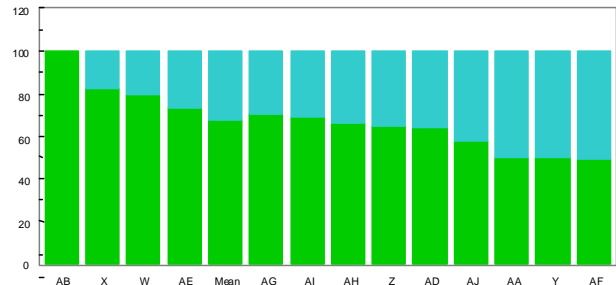
## Implications

While the literature suggests that strategic alignment is important to success in the long run, we found success is defined differently by the two groups, and neither group is definitively "better".

Internal and external factors will determine the way in which alignment is approached. A company facing rapid market change and with a mass customization strategy may choose strategic alignment. A company facing a more stable market and with a 'most efficient player' strategy may choose operational alignment. Successful alignment builds the IT capabilities to meet business strategy and needs.

Strategic and operationally aligned companies exhibit differing management roles and IT focus as well as differing approaches to planning, Budgeting and coordination and communication.

Business Management Involved in IT



Sees limited value in IT or follows CIO recommendations  
Supports or champions investments in IT

| Characteristic                                   | Strategic Aligned  | Operational Aligned                                   |
|--|--|---|
| <b>ROLES:</b> Role of senior business management | <b>Visionary:</b> Understanding of the business demands on | <b>Executive leadership:</b> strategy formulation and |

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|   |   |   |
|---|---|---|
|   | IT and what emerging IT can mean for the business strategy.   | prioritization.   |
| <b>ROLES:</b> Role of senior IT management      | <b>Catalyst:</b> giving business management an understanding of the role IT can play and translating business strategy into IT strategy. The CIO participates in executive steering committees. | <b>Executive leadership of IT:</b> strategy implementation. The CIO understands the service level demands of the business and advises business counterparts.  |
| <b>FOCUS:</b> Performance criteria              | Focus on technology leadership (e.g. benchmarking position of firm in technology marketplace) or product leadership (e.g. growth, new product introduction).                                    | Focus on being the low cost producer. Focus on customer satisfaction using qualitative and quantitative measures.   |
| <b>FOCUS:</b> Business view of IT               | IT provides technology for new competitive positions. IT sometimes drives business strategy.  | IT is seen as a top class service organization responsive to business needs. IT enables the business plan   |
| <b>PLANNING:</b> IT Plans horizons              | Business emphasizes long term strategic planning; both business and IT develop annual and long term plans   | Tactical focus with emphasis on results. IT plans are based on business priorities. Shorter term planning.  |
| <b>PLANNING:</b> Degree of plan synchronization | IT and business units are involved in creating each other's plans, resulting in a single integrated business plan with a strong IT component.   | IT and business units create separate plans. Business requirements feed IT plans  |
| <b>PLANNING:</b> IT Plan ownership              | There is shared ownership and accountability for success of IT plan or combined plan.   | IT is responsible for the success of the IT plan.   |
| <b>BUDGETING:</b> Budgeting                     | Business and IT plans provide multi-year Budgeting for critical initiatives. Senior business and IT management are involved in cross business unit resource allocations.                        | IT is viewed as a cost/service center. Budgeting levels are based on business outlook with business units involved in initiative Budgeting and prioritization |
| <b>BUDGETING:</b> Infrastructure Budgeting      | Infrastructure investments are treated as critical to firm's competitive position, evaluated and approved as part of multi-year initiative plans.   | Infrastructure is typically funded as a component of a business unit project as part of a business case.  |
| <b>COORDINATION:</b> Plan linkage to goals      | Strategic plans are shared across business and IT, and translated into operational goals. IT and business units jointly review plans and goals.   | IT goals are derived from business unit goals. There are some shared goals.   |
| <b>COMMUNICATION:</b>                           | Strategic plans are   | IT service level is   |

|  |  |  |
|--|--|--|
|  |  |  |
|--|--|--|

## Relationship Managers

A common theme echoed in many of the best practices companies in this Whitepaper is the importance of having liaison officers or relationship managers that understand both the business and IT. This function is implemented in different ways in the benchmark companies, though usually reporting within IT. 15 of the 32-benchmark companies use full-time relationship managers to improve business and IT coordination.

## IT versus Business Perception

Questionnaire analysis indicated that across all of the benchmark companies - strategically as well as operationally aligned - those in IT consistently feel that IT is better aligned with the business than do those on the business side. Questions covered planning (joint review, common goals, collaboration on selecting solutions), Budgeting (adequacy, infrastructure, balance between short term and long term), IT communication (of strategies, plans, measurements, contribution), two-way communication (frequency, level of management, action taken), working relationship (working together, peers, IT responsiveness to user requests) and resource allocation (linked to business or IT strategy, flexible, focused on priorities). The results indicate that in all companies there is still work to be done to improve the communication of IT's plans to the business.

## IT Strategic IT Plans

Regardless of whether they operate in a strategic or operational alignment, most of the benchmark companies have IT strategy IT Plans. A common feature of strategically aligned companies is that these plans are very closely linked to the business or business unit strategy. The IT strategy is the business strategy. In the operationally aligned companies, the IT strategy plans are usually technology plans and sometimes not communicated outside of IT. Where they are linked with business unit plans they are, in most cases, stated in terms of cost or service goals, i.e. tied to the business at an operational level. This is consistent with producing a world-class service level organization - using IT strategy to drive operational alignment.

# Business to IT Alignment

## Direct Charge

Direct charging of IT costs can be used as a mechanism for more closely aligning IT with the business units. The approach differs among the benchmark companies. Where the units are charged this is done to more equitably allocate common costs, to more responsibly select initiatives, or to more accurately determine business unit profitability. Some form of direct charging is in place at all of the operationally aligned companies.

Most of the strategically aligned companies allocate common costs in the form of a single overhead charge not directly related to usage. Reasons given for not directly charging IT costs include encouraging business units to make use of common systems or infrastructures and the belief that charging can create inappropriate behavior or encourage a parochial view of IT. One strategically aligned company this year has fine tuned its system charging some costs directly, some as direct IT overhead and absorbing some costs at the group level which are not charged to the units at all.

## ***Well-aligned companies are better at building the capabilities for meeting business strategies and needs***

### IT Capabilities

One would expect the better-aligned companies to be better able to utilize IT in the attainment of their business strategies and goals. The first step is to build the IT capabilities for, for example enhanced customer service reduced time-to-market for new products, better business information, and more flexible systems. Having established such capabilities the company is in position to leverage them to achieve business results.

- The well-aligned companies also do better at value delivery and architecture indicating that they have achieved or are achieving the required capabilities. In an Architecture discussion later in this document, this is treated in more detail and we conclude further that strategically aligned companies tend to be more complete in designing and deploying architecture.
- In Governance discussions, we can see how IT and business unit collaboration and shared accountability are related to improve IT responsiveness.
- Finally, in Legacy Systems discussions, we can see that the well-aligned companies are better able to identify and migrate from legacy systems.

Taken all together we conclude that the better-aligned companies are also better at building the IT capabilities for meeting the business strategies and needs.

## **Basis and Characteristics in Strategically Aligned Companies**

### ***IT Plans***

#### **Basis**

- The company produces regular (e.g. annual) strategic business and IT plans, which are reviewed at senior management level. There is a relationship between business and IT plans as well as between strategic and operational plans.
- Both senior business management and senior IT management are involved in the creation and review of these plans. Business managers are involved in the creation of IT plans and vice-versa.

#### **Characteristics**

- Plan measures of success are determined based on business strategy.
- Large strategic projects are managed and reviewed at a senior management level by business and IT management.
- The architects of those priorities make changes in priorities.
- The business culture embraces IT as a valued participant.
- Long-term strategic projects are approved once and only re-evaluated annually. (Budgets are protected).
- Large strategic projects are viewed in the light of their impact on the whole business.
- A visionary CEO or CIO may, in certain circumstances, be prepared to make an investment in IT that is strategically necessary for the company even though it is not possible to prepare a business case in advance.

### ***Budgeting***

#### **Basis**

- The basis for Budgeting is the company strategic plan.

# Business to IT Alignment

- The Budgeting process makes allowance during the plan period for the Budgeting of projects exceeding the original or not in plan.
- Business and IT executives are actively involved in cross-firm allocation of resources.
- Budgeting of underlying IT infrastructure is viewed as a key to competitiveness and is pursued by both IT and the business.

## Characteristics

- Overall initiative prioritization and budget approval take place simultaneously with plan approval.

## Coordination and Communication

### Basis

- Senior business and IT management have a shared sense of mission and shared goals.
- Senior IT management is involved in the "inner circle" of executive management strategic planning.
- Monitoring of strategic plans takes place regularly resulting in review of plans where necessary.
- All personnel are aware of the integrated business and IT strategy of the company.

### Characteristics

- Large strategic projects are sufficiently funded so as to include resources for communication of goals and progress.
- Business and IT strategy are considered simultaneously.
- Senior business management communicates to the business the strategic competitive advantage of IT.

## Basis and Characteristics in Operationally Aligned companies

### IT Plans

#### Basis

- The company produces regular (e.g. quarterly) operational business and IT plans which are reviewed at business unit management level. There is a relationship between business and IT

plans as well as between strategic and operational plans.

- Both business unit managers and IT managers are involved in the creation and review of these plans. Business managers are involved in the creation of IT plans and vice-versa.

### Characteristics

- Plan measures of success are related to business unit goals.
- Planning and alignment of business and IT are done within projects.
- The architects of those priorities make changes in priorities.
- Business units and IT view themselves as being mutually interdependent. Consensus is sought.
- Long-term projects are approved only once and re-evaluated annually. (Budgets are protected). Such projects are structured to produce regular (at least annual) deliverables.
- All aspects of change (including marketing, human resources, financial) are considered in executing IT plans.
- A visionary business unit or IT manager may, in certain circumstances, be prepared to seek senior management approval for an IT investment which is strategically necessary for the company, even though it is not possible to prepare a business case in advance.

## Coordination and Communication

### Basis

- Business units inform IT of their plans in a timely manner and solicit input.
- Topic experts, including IT, work as a team to respond to market opportunities.
- There is a formal communication structure between business and IT personnel (e.g. meetings, newsletters etc.).
- Progress against business and project plans is monitored regularly resulting in plan review where necessary.

### Characteristics

- Project plans and budgets include resources for communication of project goals and progress.
- IT and non-IT aspects of the business undergoing changes are considered and developed simultaneously.

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- Business unit personnel are involved in projects and project planning at an early stage and from then on through until completion.
- Project managers or coordinators are knowledgeable both in the business and in IT.

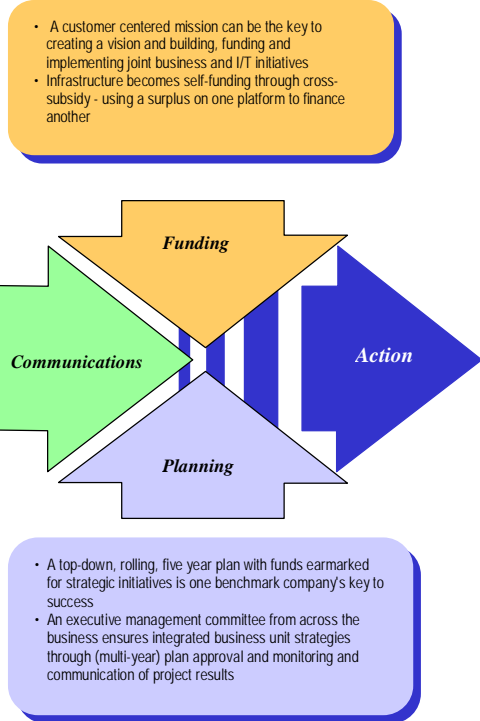
## Budgeting

### Basis

- The basis for Budgeting is the revenue/expense plan of the business unit.
- The Budgeting process facilitates the Budgeting of infrastructure and of projects that impact multiple business units (e.g. at a level above the business unit).
- The Budgeting process makes allowance during the plan period for the Budgeting of projects exceeding the original budget or not in plan.

### Characteristics

- Budgeting approval takes place simultaneously with project approval.
- Business and IT management jointly prioritize initiatives.
- Benchmarks are done to compare internal costs against industry costs or market prices.
- The Budgeting process provides an incentive to the business unit to migrate from high cost or aging platforms.

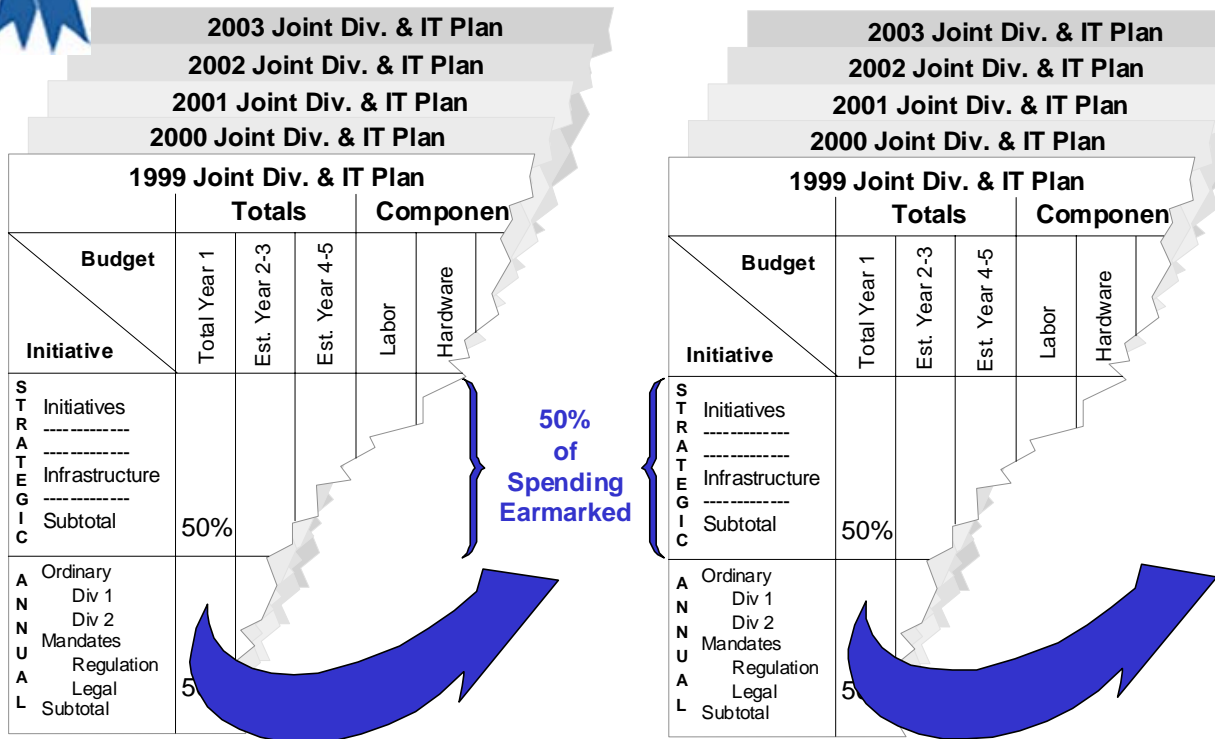


**Best practices in alignment are exceptional in that they utilize the synergy between IT plans, budgeting, and communications to enhance their capabilities to meet business needs**

## Appendix – Best Practices and Techniques



*A Top-down, Rolling, Five-year Plan with Funds Earmarked for Strategic Initiatives is one Benchmark Company's Key to Success*



## Appendix – Best Practices and Techniques

### Strategic Alignment IT Plans

#### Overview

The IT planning process is interwoven into the three to five rolling strategic plan of the corporation. Combined IT and business unit strategies are updated annually by the highest levels of the corporation, with participation by lower level management personnel. Cross-functional teams subsequently implement them.

#### Stakeholders and Their Responsibilities

Senior management states the business vision and key strategic initiatives that will guide investments.

Business unit management proposes strategic projects that are approved by the CEO for feasibility studies. If approved, strategic initiatives are staffed by full-time management, outsourced from both the business units and the IT unit.

The IT personnel are primarily responsible for managing the development of the systems and partner with business unit project sponsors.

The full-time business unit personnel are responsible for design, transition plans, and benefit achievement.

Business and IT personnel assigned to legacy systems manage to a fixed maintenance budget and develop 'work-around' solutions at times.

#### Characteristics

- The process has identical horizons for business unit and IT planning and measurement. The IT plan is tightly integrated into a rolling five-year and one-year business plan.
- Business unit managers are assigned full-time to long-term projects within IT and are measured on attained benefits. The continuous involvement of the very senior levels of the corporation is a differentiator because there is consistent focus over time, and the architects of the strategy decide the line between what is strategic versus what is tactical. The role of the executive committee includes making specific project trade-off and providing phase approvals.
- Strategic projects are reviewed and approved separately from tactical projects. 50% of IT development spending is earmarked for strategic initiatives.
- Following the strategy requires making choices

between long-term and short-term investments to keep the plan viable. Business unit tactical projects must pass a very high hurdle rate.

- There are three practices that keep the company strategically focused -- adequate Budgeting is available to implement the highest payback tactical investment; tactical project selection/deselection is rapidly made to avoid politics and minimize fruitless negotiations; and emphasis is given to reaping the strategic benefits that are coming on-line versus enhancing legacy systems.

#### Measurements

Executive management reviews progress monthly, ensuring that downstream projects support the strategy and are "on track". IT infrastructure associated with any "mega-projects" is protected from budget reductions associated with business cycle fluctuations.

In the early stages of a strategic initiative, most of the cost is labor, related to investigating the concept. This phase is deliberately not cost-justified.

#### Other Factors

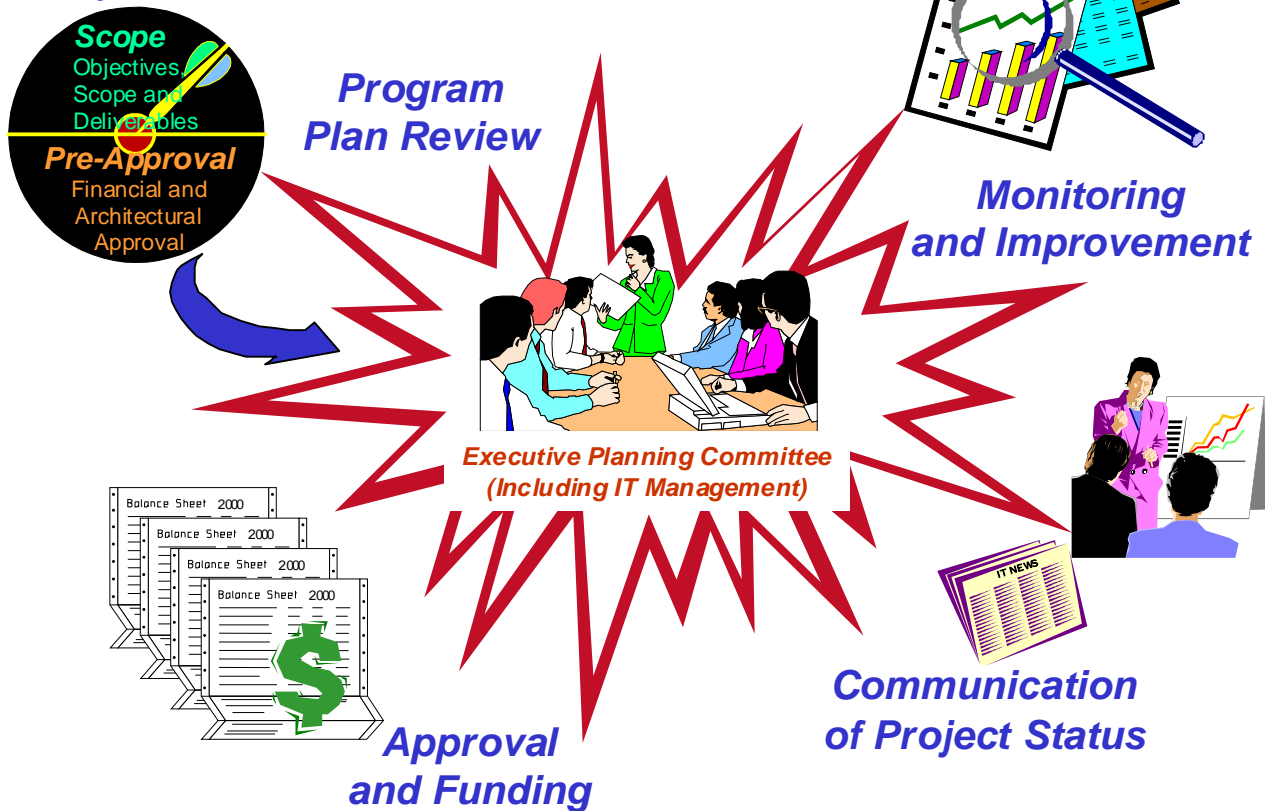
To help ensure that the multi-year plans are culturally adopted, a multi-year measurement system for strategic project managers was implemented that encourages them to focus on leadership skills rather than financial targets. The emphasis is on defining and developing initiatives of high strategic impact, gathering input and building consensus among the users during development, and continuously improving on the initial design throughout the process.

## Appendix – Best Practices and Techniques



*An executive management committee from across the business ensures integrated business unit strategies through (multi-year) plan approval and monitoring and communication of project results*

*Project Plans, Goals, Objectives,  
Critical Success Factors, Business  
Unit Management Commitment*



approval by the EMC.

### **Operational Planning and Alignment**

#### **Overview**

Alignment is achieved at this company through closely aligning the IT plan with business strategy in an Executive Management Committee (EMC) that includes the CIO. The EMC approves annual budgets for continuing costs, and reviews discretionary budgets quarterly. IT and business plans are effectively communicated and coordinated. At another company with a very similar process, senior management is occasionally prepared to authorize an investment based on vision even where it has no clear cost justification and would not be approved by the EMC.

#### **Stakeholders and Their Responsibilities**

Business unit managers propose new projects for

Senior management (through the EMC) obtains annual targets and approves projects and funding. This group approves all projects of US \$150K and over. Smaller projects are approved immediately by Finance.

IT management determines 'core' funding requirements for existing systems. The overall IT budget is based on a roll-up of approved projects, projected non-discretionary costs and a percentage for specified approved other activities.

Finance coordinates monthly meetings, pre-approves projects for the EMC, reviews the IT roll-up of approved projects and combines financials from other departments into an overall total.

## Appendix – Best Practices and Techniques

### Characteristics

- The level and involvement of 12 senior executives who attend EMC meetings every two weeks distinguish this process. A multi-year IT application development plan therefore becomes part of overall business strategy. The EMC approves and funds projects in a single activity. Business strategy goals and directives are the rating criteria for projects.
- Through the project based approach and the roll-up of plans, IT projects are closely aligned with the respective business unit strategies even though several departments have no formal business plans (written, regularly updated documents describing major activities aimed at meeting financial and other objectives.
- Prior to EMC approval a resource allocation process (for internal and external skills) and an architecture review take place.
- Effective communication and coordination of project plans, especially during definition and rollout is achieved through the project approval process, personal contact between IT and the business, and good working relationships.
- The business strategy is widely communicated to both business and IT employees through a variety of vehicles including road shows, videoconferences and corporate magazines.
- Projects approved for multi-year funding do not need EMC re-approval every year. However, the costs and benefits are validated in each year's budget cycle.
- An inherent weakness of project emphasis in planning and budgeting means that early adopters of infrastructures may have to absorb a relatively large percentage of infrastructure costs.

monitoring strategies and projects has resulted in a 60% reduction in project requests. An apparent cause is the necessary linkage to corporate strategy and accountability that project sponsors must document.

- 95% of projects submitted to the EMC are approved and cost benefits of projects have vastly improved.

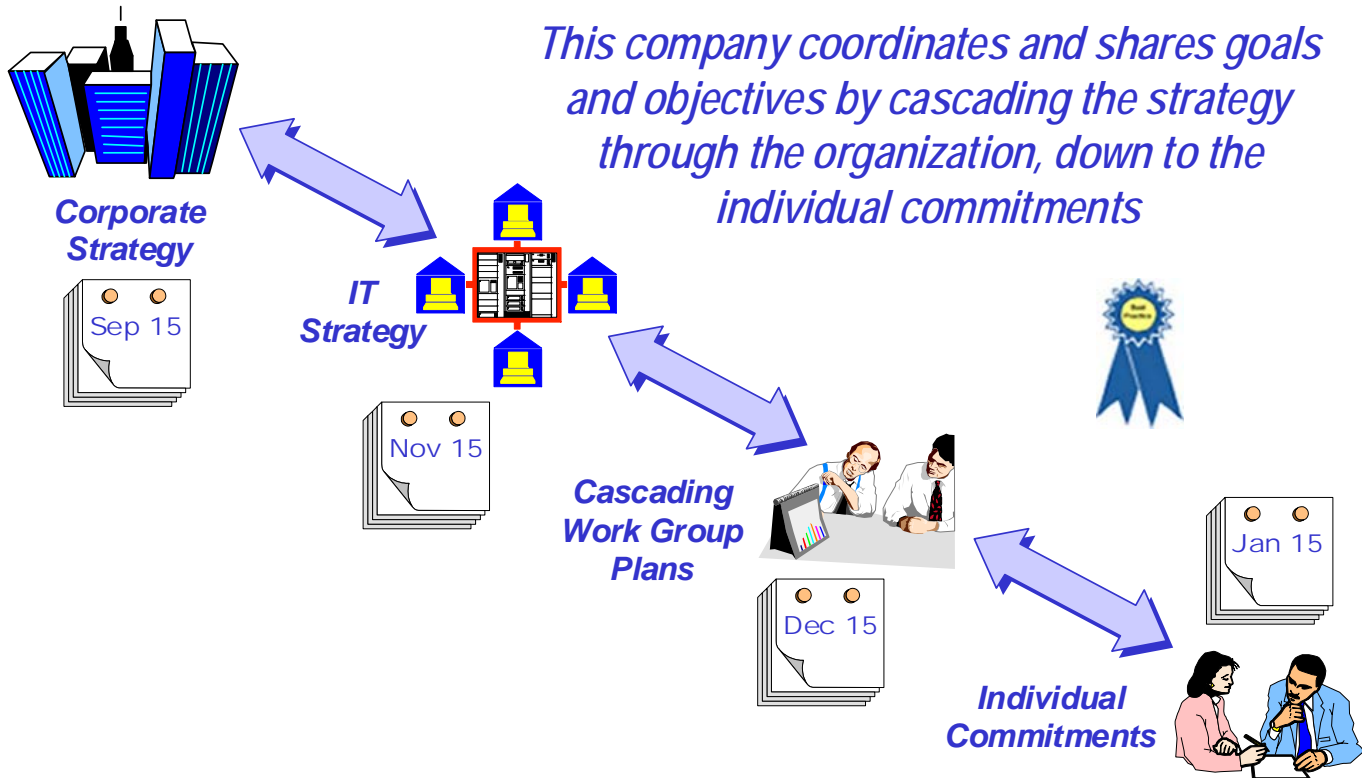
### Measurements

- The EMC tracks and reviews and updates IT budgets every quarter on the basis of status reports. Within IT, Friday morning meetings open to all employees are used to communicate technology initiatives and updates to the architecture.

### Results

- Over three years this process for approving and

## Appendix – Best Practices and Techniques



### Linking Corporate Strategy to Operational Plans

#### Overview

This is the process the company uses to translate high-level corporate strategies into business unit operational plans and into business unit and IT projects. Work group participants ultimately make "commitments" to meet goals, which become a part of individual annual performance plans.

#### Stakeholders and Their Responsibilities

The CEO starts the process each fall with the issuance of updated corporate strategies. All employees of the company participate in Strategic Alignment Workshops (SAWs).

Senior managers lead their department in Strategic Alignment Workshops to develop tentative plans. Each level of management subsequently repeats the SAW activity with its employees, refining and confirming the plan.

The corporate office conducts external economic and competitive scans, which provide the basis for the corporate strategy update. The key outputs are initiatives tied to work groups and performance plan

commitments.

#### Measurements

Progress against the commitments is tracked by management and directly impacts annual performance bonuses. The SAW process is bounded by an annual performance plan due date, and by annual bonus payment deadlines that all managers must follow.

#### Characteristics

Management and non-management agree that the concept of cascading plans is effective. Over time, the process has been improved by ensuring that strategy is driving the operational plans, rather than pre-existing operational plans being "plugged" into the strategy. In addition, the company is now considering more cross-functional work groups to create stronger horizontal plan linkages.

#### Other Factors

SAWs are more than a planning process; they are also a technique to make people more empowered and more accountable.

## Appendix – Best Practices and Techniques

*A customer centered mission is the key to creating a vision and building, funding and implementing joint business and IT initiatives*



### Focused Infrastructure Planning

#### Overview

The IT and business planning process allows the company to create a fully integrated Technology Plan to support the business. The process also identifies and plans for infrastructure updates and extensions to support common systems requirements across the enterprise. More than the execution of a planning process, this best practice company has a striking cultural commitment to anchor all major decisions in customer wants and needs. This common "guiding light" facilitates fruitful planning between IT and business units, including long-term infrastructure investments.

#### Stakeholders and Their Responsibilities

- Senior management has the responsibility to establish key business area objectives and work with business and IT management to update the business strategy.

- A senior executive steering committee is responsible for evaluating and approving cross-business unit infrastructure investments. Within each business unit, a systems steering committee prioritizes application development projects.
- Business unit management has the primary role in planning new projects. IT management has the primary role in planning for existing and future infrastructure. Funding and initiative prioritization are conducted jointly.
- The business and IT planners support management in planning for new initiatives and infrastructure.
- Corporate technology infrastructure groups develop the infrastructure plans.

#### Characteristics

- The strategic and operational planning process is a joint effort that is driven by a common corporate

## Appendix – Best Practices and Techniques

vision and operating philosophy of providing integrated support to the company's customers with exceptional quality and service.

- The business strategy anticipates new customer service delivery capabilities that may be possible through new and emerging technologies. The planning process establishes measures of success in terms of enhanced customer service.
- To achieve these objectives, the business strategy is decomposed into a set of key result areas, each of which includes a technology component. High leverage investment priorities are established by defining a set of value chains by business lines. Infrastructure investments are determined by aggregating cross-business line requirements and selecting the highest impact initiatives.
- What sets the strategic planning process apart from other companies is that the plan outputs deliver a linked vision for the future, defined as a business capabilities vision and a technology vision.

### Results

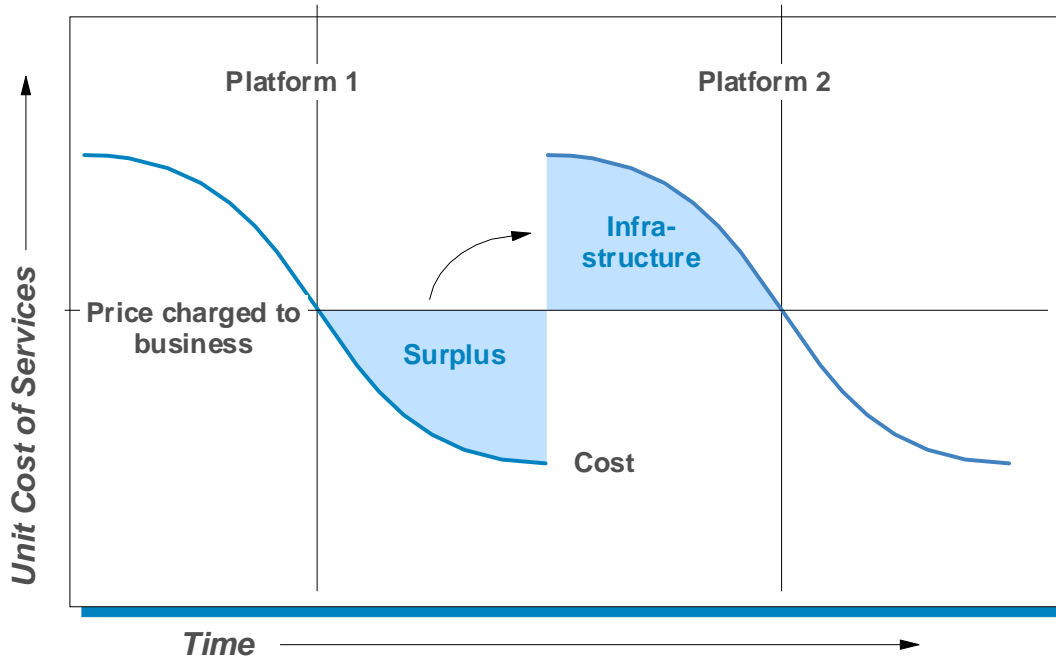
A major benefit of this process is that the infrastructure is an integral part of the planning activities. It is based on well-defined desired capabilities. The investment process places equal emphasis on infrastructure and single operating unit initiatives.

The process provides the business units with a high degree of control over how IT resources will be spent. This results in strong business unit satisfaction with IT investments, and a shared commitment to implement the plan.

## Appendix – Best Practices and Techniques

*Infrastructure becomes self-funding through cross-subsidy - using a surplus on one platform to finance another*

### Market Pricing Strategy to Fund Infrastructure



### Infrastructure Funding

#### Overview

Pricing of, and charging for, IT infrastructure components provide a surplus which is IT's source of funding for enhancement to the infrastructure. Infrastructure is charged back to units at slightly under market prices and funded from the surplus IT earns through efficient voice, network and computing operations.

A variation on this approach at another benchmark company uses a corporate fund to selectively coax business units to migrate from legacy to more strategic and often more efficient platforms (e.g., moving from business unit unique hierarchical databases to cross-functional relational databases). Rather than have early adopting business units pay a financial penalty for leadership, this fund influences business units to upgrade infrastructure when they add function to legacy systems. This fund has allowed the company to reduce the number of systems images they operate by influencing rather than mandating migration.

Another company funds parts of infrastructure (e.g. an enterprise data model) at the corporate level. Business units are not charged and get the work done 'free'.

#### Stakeholders and their Responsibilities

Business unit customers of IT bear direct and indirect costs associated with IT services.

The core IT organization anticipates future infrastructure needs in support of its business unit clients.

Senior management funds parts of infrastructure to encourage common usage.

#### Characteristics

- The IT organization makes a great effort to clearly understand what the cost of services would be if they were to be acquired from external sources.
- Metric benchmarks and requests for competitive bids are frequently performed to obtain comparative pricing of services. This becomes the basis for market pricing.

## Appendix – Best Practices and Techniques

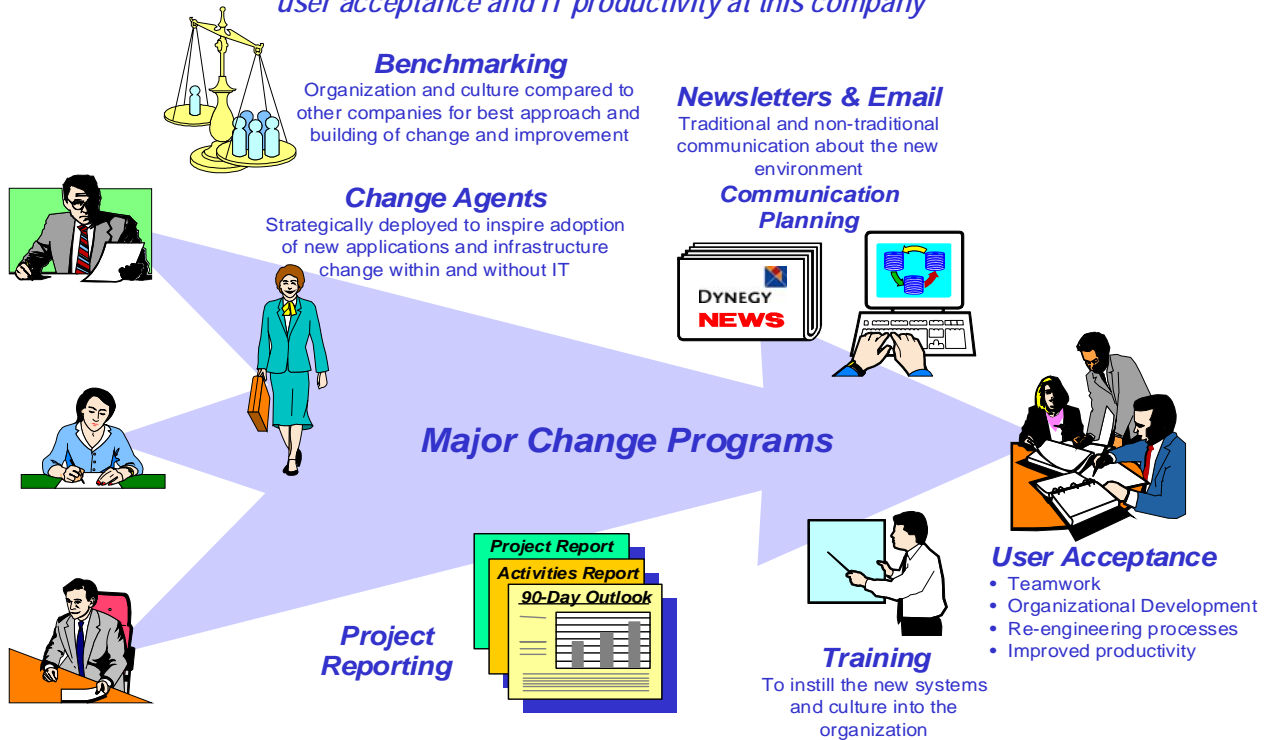
- IT prices the infrastructure just under the going market rate. Through efficiencies in running IT, they are usually able to yield a surplus. The surplus is then plowed back into pilots for new infrastructure technologies to maintain technical vitality.
- Business units have the option to acquire sources externally if they can obtain similar sources for a lower price.
- The scope includes voice, networks, and operations.

### Results

A natural by-product of this pricing strategy is an automatic call to action when IT costs is higher than the market. If IT wishes to match the competitive price, they are free to do so; however; they must decide when to invest and when to outsource functions that may be better provided by others.

## Appendix – Best Practices and Techniques

*Emphasis on and earmarking of funds for communication and cultural change optimizes user acceptance and IT productivity at this company*



### Program Communication and Cultural Change

#### Overview

This company embarked on a major business re-engineering initiative that also drove a rewrite of most IT systems. An unusual aspect of this firm's situation is that participants tend to feel that 'culture' (i.e. cultural change) and 'communication' (of project goals) are bigger issues than the planning process itself. As evidence of this, they invest a fixed percentage of the budget (10%) in cultural change, training and communication. Concurrent with the cultural change initiatives, a highly structured and closely monitored planning and funding process converts business goals into single- and multi-year project lists and funding plans, thereby linking IT activities closely to overall business strategy.

#### Stakeholders and Their Responsibilities

Senior management champions and communicates the change throughout the company. Business unit (functional) management coordinates with IT in project planning and execution. The project team widely communicates the future value of the project via innovative methods such as videotapes, town hall meetings, e-mail, newsletters, etc. It is also responsible for educating future users and driving cultural change. IT management holds quarterly forums for communication of progress

against the plan.

#### Characteristics

- Business users and IT are involved together at the operational and management levels through committees, which ensure alignment of IT plans and activities with business needs. These committees also monitor and report progress against plans.
- The same team approach is evident during development and implementation of large projects. A project team is formed, including a 'user champion' responsible for driving the initiative through the company as well as championing the project externally.
- Resources within the project team are devoted to education and cultural change. Culture benchmarks, which look at how similar systems in other companies in the same industry are used, provide the necessary input for the new cultural environment.

#### Results

In the 18 months this cultural change initiative has been underway a half dozen systems have been implemented - all on time and on budget.