

ALIGNING THE IT ORGANIZATION TO BUSINESS NEEDS

By: Harris Kern's Enterprise Computing Institute

One of the biggest challenges for CIOs and senior IT managers today is to be able to communicate the value of the IT organization to the business that it supports. The problem is significant, as surveys of CEOs and top executives show a general dissatisfaction, or more precisely a lack of full satisfaction, with the services provided by their internal IT organizations. Communicating the business value of the IT organization starts with understanding the major drivers of senior executives and where the use of Information Technology can be of help to them. If you are in the IT industry, it is important to know these drivers for senior business executives because you cannot help the business properly if you don't know what goes on in their minds, what they talk about, and at the end of the day, what they will push for in the boardroom. A recent survey conducted by Bain & Company indicates for key drivers of business executives, that lead to four "asks" of the IT organization, as follows:

1. Help me sell
2. Help me manage the business
3. Help me grow the company
4. Help me by focusing IT on business needs

The paragraphs that follow detail these asks. Much of the data that will be referenced comes from the excellent survey conducted by Bain & Company, a global business consulting firm, since 1993 (http://bain.com/management_tools/home.asp). This survey has been conducted in order to get the facts about the different management tools in use today, as well as to identify the trends in behavior in the industry specifically with respect to business automation. The results are taken from data culled from more than 7,283 respondents in 70 countries from across all industries. Company size ranged from the large \$2 billion revenue conglomerates down to the \$600 million enterprises. The survey focuses on the 25 most popular management tools such as those for customer relationship management, supply chain management, and even outsourcing and offshoring. Other noteworthy tools included in the study: benchmarking, business process reengineering, change management programs, knowledge management, mass customization, scenario and contingency planning, strategic planning, and total quality management.

1. Help Me Sell

An overwhelming two-thirds of those surveyed by Bain & Company say that they need a more effective tool to understand and manage customers, and a growing majority (more than half) are now putting more focus on customer retention than on finding new ones. No wonder then that Customer Relationship Management (CRM) applications and those which help in customer segmentation are among the top 5 tools used by those surveyed. The IT organization should therefore keep this in mind when they plan for and prioritize the services and supporting facilities to its end users. Communication systems such as the email, internet portal, instant messaging, voice mail, and even the ubiquitous telephone facility are obviously critical to client interaction. Improving the interaction with clients by providing users with as much knowledge about them is the next area to look at, and besides the CRM already mentioned, even those which enable and enhance the order and fulfillment process should not be neglected, as well those necessary for providing ongoing support.

In a market which is perceived by 3/4th of those surveyed as being dominated by commoditized products and services, there is an even more compelling reason to innovate. This need to develop or enhance the offerings of a company is dramatically illustrated by the survey results with 86% believing in putting more resources towards innovation instead of cost reductions. Surprisingly, 73% of these executives believe that collaboration with outsiders such as suppliers and even competitors could play a significant role in achieving this innovation.

IT executives should see this as an impetus to implement systems and applications that allow for easier integration and communication with other companies. Buzzwords in the industry such as Service Oriented Architecture (SOA), extended Markup Language (XML), SOAP, and web services all represent means and technologies to help in standardizing and making possible collaboration between dissimilar or autonomous systems. The Open Systems Interconnect (OSI) model of the 90s which helped define the exchange of data between different technologies can be considered to be extended beyond the application layer and now into the business layer, with the standards necessary still evolving, albeit at a rapid pace.

2. Help Me Manage the Business

The good news is that an overwhelming 89% of those surveyed by Bain believe that IT can create significant competitive advantage for the business. The IT organization is not going to go away anytime soon due to outsourcing because certain IT functions are central to the competitive strategies of most corporations. The bad news is that an unhealthy 40% feel that the money spent by the IT organization is not aligned to the business strategy. Moreover, 68% of the business executives say that there is excessive complexity in the management tools used that is raising costs and hindering growth. These are obvious calls for the IT organization to simplify the infrastructure and enforce more standards across systems.

With all US public companies talking about the Sarbanes-Oxley (SOX) requirements, there is a renewed interest in business process reengineering tools. IT managers would be well positioned by implementing recognized standards for managing IT operations in the form of the IT Infrastructure Library (ITIL) which allows for auditable and measurable processes.

3. Help Me Grow the Company

55% of those surveyed see sales coming from international markets growing much faster than domestic revenues over the next 5 years, and the same number of these executives predict that acquisitions will be critical to achieving the growth targets in the next 5 years. The IT function must be agile enough to be able to work with and integrate new databases, applications, and users.

We mentioned above that the IT organization is not going to be obsolete, but this does not preclude the possibility that some of its traditional functions might be better outsourced. Doing this would certainly get the support of close to half of those surveyed, who agree that outsourcing may be unpopular, but in the end everyone benefits. Outsourcing is the number one tool for cost-cutting, in use by as much as 73% of the businesses to some degree (which some may call as out-tasking). Outsourcing vendors, having been established to sell their services, come knocking on the offices of these business executives with a better looking portfolio of offerings on application development, helpdesk, and many others as compared to what their internal IT organization reports on. The challenge therefore to the IT organization is to also manage their operations as an integrated services delivery organization (reference: IT Services: Costs, Metrics, Benchmarking, and Marketing by Anthony Tardugno et al) and compete on equal grounds with these external service providers.

4. Help me by Focusing IT on Business Needs

The section titles should already give a hint on what the CIO or senior IT manager should think about if they want to keep IT aligned with the business. Reading through the Bain & Company report is a very good way to get a better understanding of what keeps the business executives awake at night. The entire IT organization should then be taught, no – mentored, by senior IT management to always consider these business needs when they make any decision even on IT matters. It is only by reorienting everyone's frame-of-mind can behavior and activities start to contribute, no matter how small, to the long-term financial stability of the business enterprise.

Gartner recently points out that business executives who are not impressed by their IT function will relegate its role to that of a utility provider, running applications that have been defined or even developed by others. In the better scenario, it should be the other way around, with the IT function doing the innovations and just outsourcing, if needed, those repetitive and easily managed tasks and activities.

About Floyd Piedad

Floyd Piedad is Executive Director of the Enterprise Computing Institute (ECI) and author of the book **“High Availability: Design, Techniques, and Processes”**, published by Prentice Hall and one of the best-selling books in ECI's series of 16 books on the critical issues facing IT organizations today.