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

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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

About the Research

- Interpretive Longitudinal Field Study of IT
  - 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

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

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

- Corporate Strategy & Vision
- Enterprise IT Architecture
- Business Unit Strategy & Vision
- Business Unit IT Architecture
- Project Proposal
- Project's Proposed IT Solution

Traditional Approaches driven by Alignment

- Architecture Transformation Efforts
- Smaller Solutions for Local Business Initiatives
- IT Capabilities

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

The IT Engagement Model Has Three Components

- Corporate/Strategic Level
- Business Unit/Tactical Level
- Project Team/Operational Level

BT's IT Engagement Model: May 2002

- Business Unit IT Governance Mechanisms
  - Transformation Boards
- Line of Business (LoB) Level
  - Project Team Level
- Key Linking Mechanisms in LoB1
  - Informal feasibility assessment
  - Architecture exceptions handling process
  - Review Boards tied to LoB finance committee
- Key Linking Mechanism in LoB2
  - Accreditation Program

Key Linking Mechanisms in LoB1
- Non-IT IT
- IT non-IT non-IT

Key Linking Mechanisms in LoB2
- Non-IT IT
- IT non-IT

BT's IT Engagement Model: May 2004

- Organization-wide IT Governance Mechanisms
  - Enterprise Transformation Boards
  - Senior Information Forum
  - Architecture Realization Group
- Line of Business (LoB) Level
  - Project Team Level
- Key Linking Mechanisms in LoB1
  - Architecture exceptions handling process
  - Review Boards tied to LoB finance committee
- Key Linking Mechanism in LoB2
  - Accreditation Program

Key Linking Mechanisms in LoB1
- Non-IT IT
- IT non-IT non-IT

Key Linking Mechanism in LoB2
- Non-IT IT
- IT non-IT
Good Linking Mechanisms

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

- **Good Linking Mechanisms**
- **ALIGNMENT**
  - Business
  - IT
- **Company-wide IT Governance**
  - Enterprise architecture committee
  - CIO participates in key Corporate Committees
  - IT infrastructure renewal process
  - IT investment and prioritization process
- **Linking Mechanisms**
  - Business Unit Tactical Level
  - Project Team Operational Level
- **Project Management**
  - Project management office
  - Industry-standard methodology
  - Project tracking software
  - Project team manager

**Mechanisms to Achieve Engagement**

- **Company-Wide IT Governance**
  - Enterprise architecture committee
  - CIO participates in key Corporate Committees
  - IT infrastructure renewal process
  - IT investment and prioritization process

**Example of IT Engagement Model Survey Results**

<table>
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<th>Linking Mechanisms (A)</th>
<th>Process of forming linkage with core IT functions (1-9)</th>
<th>Percent of firms with IT linkage with core IT functions</th>
<th>Impact of IT prioritization on business process integration in firms with...</th>
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**Effective organizations do not have corporate-level engagement at post implementation reviews without alignment**

- Above Average Level of Business Process Integration
  - **Alignment**
    - 0.7
  - Below Average Level of Business Process Integration
    - –0.7

**BT’s IT Engagement Model: May 2006**

- Organization-wide IT Governance Mechanisms
  - IT Board
  - CIO participates in key Corporate Committees
  - IT infrastructure renewal process
  - IT investment and prioritization process
- **Linking Mechanisms**
  - Business Unit CIO teams strategically focused
  - Architecture Conformance Framework Process
  - Calendar of commitments
  - Bonuses tied to corporate and program objectives

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

- Business Process Standardization
- Business Process Integration
- Program Management
- Customer Engagement

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Firms increasingly rely on a global network of service providers

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
Thank You!