

Diagnosing Your Organization

The chart on these pages is a rating system that will help you evaluate your company's level of alignment and set goals to improve it. Decide which of these definitions best describes your business practices. Each description corresponds to a level of alignment. There are five levels: Level 1 (Without Process) is the weakest; Level 5 (Optimal Process) is the strongest. Level 1 companies lack the processes and communication needed to attain alignment; in Level 5 companies, IT and other business functions (marketing, finance, R&D etc.) adapt their strategies together using fully developed processes that include external partners and customers. CIOs should seek to attain and sustain this fifth and highest level of alignment. The Evaluation has four steps:

1. Form the assessment team. Create a team of IT and business executives to perform the assessment. Ten to thirty executives typically participate depending on whether a single business unit or the entire enterprise is being assessed.

2. Gather information. Team members should assess each of the 38 alignment practices and determine which level, from 1 to 5, best matches their organization. This can be done in three ways: in a facilitated group setting; by having each member complete a survey and then meeting to discuss the results; or by combining the two approaches, if it is not possible for all the group members to meet.

3. Decide on individual scores. The team agrees on a score for each practice. The most valuable part of the assessment isn't the score, but understanding its implications for the entire company and what needs to be done to improve it.

4. Decide on an overall score: The group reaches a consensus on what level to assign the organization. This is done by averaging the individual scores. Some companies adjust the average because they give more weight to particular practices.

This overall score can be used as a benchmarking aid to compare different organizations and to see how organizations improve over time. Fortune 500 executives who have used this tool for the first time have usually rated their organization, on average, as a 2, although they score a 3 for a few criteria.

GLOSSARY

COMMUNICATION The exchange of ideas, knowledge and information among the IT and business organizations, enabling both to have a clear understanding of the company's strategies, business and IT environments, priorities and what must be done to achieve them.

METRICS The use of measures that demonstrate the contribution of IT and the IT organization to the business, in terms that the business understands and accepts.

GOVERNANCE The degree to which the authority for making IT decisions is defined and shared among management, and the processes managers in both IT and business organizations apply in setting IT priorities and the allocation of IT resources.

PARTNERSHIP The relationship among the business and IT organizations, including IT's involvement in defining business strategies, the degree of trust between the two organizations, and how each perceives the contribution of the other.

TECHNOLOGY The extent to which IT is able to provide a flexible infrastructure, evaluate and apply emerging technologies, enable or drive business processes, and provide customized solutions to meet customer and internal needs.

HUMAN RESOURCES This includes practices such as training, performance feedback, encouraging innovation and providing career opportunities, as well as the IT organization's readiness for change, capability for learning and ability to leverage new ideas.

COMMUNICATION	
Understanding of Business by IT	IT management lacks understanding
Understanding of IT by Business	Managers lack understanding
Organizational learning	Casual conversation and meetings
Style and Ease of Access	Business to IT only; formal
Leveraging Intellectual Assets	Ad-hoc
IT-Business Liaison Staff	None or use only as needed

METRICS	
IT Metrics	Technical only
Business Metrics	IT investments measured rarely, if ever
Link Between IT & Business Metrics	Value of IT investments rarely measured
Service Level Agreements	Use sporadically
Benchmarking ¹	Seldom or never
Formally Assess IT Investments	Don't assess
Continuous Improvement Practices ²	None

GOVERNANCE	
Formal Business Strategy Planning	Not done, or done as needed
Formal IT Strategy Planning	Not done, or done as needed
Organization Structure	Centralized or decentralized ⁴
Reporting Relationship	CIO reports to CFO
How IT is Budgeted	Cost center; spending is unpredictable
Rationale for IT spending	Reduce costs
Senior-level IT Steering Committee(s)	Don't have
How projects Are Prioritized	React to business or IT need

PARTNERSHIP	
Business Perception of IT	Cost of doing business
IT's Role in Strategic Business Planning	Not involved
Shared Risks and Rewards	IT takes all the risks, receives no rewards
Managing the IT-Business Relationship ³	IT-business relationship isn't managed
Relationship/Trust Style	Conflict and mistrust
Business Sponsors/Champions	Usually none

TECHNOLOGY	
Primary systems	Traditional office support
Standards	None or not enforced
Architectural Integration	Not well integrated
How IT infrastructure is perceived	A utility; run at a minimum cost

HUMAN RESOURCES	
Innovative, Entrepreneurial Environment	Discouraged
Key IT HR decisions made by:	Top business and IT management at corp
Change Readiness	Tend to resist change
Career Crossover Opportunities	Job transfers rarely occur
Cross-Functional Training & Job Rotation	No opportunities
Social interaction	Minimal IT-business interaction
Attract & Retain Top Talent	No retention program; poor recruiting

¹ Includes informal benchmarking (interviews, literature searches, company visits) and formal benchmarking (quantitative data comparison, determining best practices)

² E.g., quality circles, quality reviews

³ E.g., cross-functional teams, training, risk/reward sharing

⁴ Centralized means a corporate IT unit (or another central unit) has a primary authority for architecture, standards and application resource decisions; decentralized means each functional unit has responsibility for these areas