



# ALIGNING YOUR IT ORGANIZATION WITH THE BUSINESS

By Rich Murphy, Planview

Whether it's business as usual, or change projects and programmes, IT plays a vital role in most organizations. There has been a realisation over the past few years that IT is not some kind of standalone support service but more often an integral part of the business offerings and structure. There has to be a complete alignment between IT and the business. This needs to start at the top and percolate its way vertically and horizontally through the business.

**D**elivering IT value is always a priority, but many organizations face limited budgets and resources, as well as increasing demand. While, occasionally, there are problems with an IT organization's performance, it's more likely there will be issues caused by the structure of the IT organization and its alignment to the rest of the company.

These alignment challenges need to be identified and resolved; only then can IT be run like a business to help turn around any negative perceptions of performance while driving up shareholder value.

I want to discuss how this alignment can be achieved, and provide five important steps that every IT organization needs to take for success.

## Step 1. The CIO – an integral part of the business

IT Directors and CIOs have been educated and trained to understand all the important aspects of technology. The successful ones normally progress up the IT organization ladder by learning and developing knowledge on all the components that keep an IT shop functioning.

However, highly successful CIOs, who are valued by their business partners, do much more. They spend a significant amount of time learning

about the businesses they support. This includes visiting operational or processing centres, spending time at manufacturing locations, meeting with suppliers, listening to customers, and many other non-IT related functions – all in the name of understanding the business. They communicate with their business partners using business terms, understand their needs and those of their clients, propose possible solutions, and implement the solutions that result in increased value to the business and shareholder.

The best-in-class CIOs will understand what drives revenue and profit in as much detail as the CEO or Finance Director. Think about someone who can fulfil all those roles versus someone who is only a technical expert. Who would you want on your team?

As the CIO delivers added value over time, he or she will naturally be viewed as an integral part of the business. Then, not only will the business begin to convey their needs to the CIO, it will also willingly accept suggestions on how to improve efficiency, reduce cost, structure deals, and many other variables that directly improve the profitability of the organization.

Ideally, an IT organization should be structured so that the CIO can be involved in all aspects of the business with a much broader impact on business decisions. Its business partners will no longer consider IT as a cost problem, but as a strategic "ace-in-the-hole" that can be leveraged. Anyone wanting to be a best-in-class CIO should regard this as their mission. But understanding the business and business issues doesn't stop at the top. It needs to be a part of the IT structure.

## Step 2. A business relationship manager for every profit and cost process

As businesses are so dependent on IT, I wonder why more companies do not have lead CIO Business Relationship Managers (BRM) for each of their major profit centres, cost processes and change projects.

Generally, each profit centre has a senior manager responsible for delivering value to customers and the business. Similarly, each cost centre, such as Marketing, Auditing and Legal, will have its own senior manager responsible to run the organization effectively in support of the profit centre. So why not have a BRM who is aligned with the overall business organization and ensure the Financial Director is also involved?

Imagine a diversified company that has a consumer division, an electronics division, and a financial division. Wouldn't you want the BRM for the consumer division also working on the financial division or the IT support for legal?

While each company should only have one CIO,

it should not preclude the CIO from structuring his or her IT organization to mirror the business. These lead BRMs are in fact representatives of the CIO, and should be empowered to speak for the entire IT organization. They are the IT managers for that business and will have an important role to play in the implementation of projects and programmes.

A key tool that is required for the BRM and vertical experts to work hand-in-hand with the business is a portfolio management system including resource management, full project tracking, and analysis of business as usual versus Change the Business spending. With this tool, the BRM can fulfil the duty of speaking for the entire CIO Organization.

In a fully-functioning model, the head of the profit centre or cost process should view the lead BRM as part of their leadership team. This BRM should be working with the business leadership team to develop and implement the IT strategy that is required for success. In this way, the CIO is actually taking additional steps to achieving step one.

In order to achieve efficiencies, the CIO can have functional areas of expertise or one person responsible for vertical areas. The key is: does the function have common needs for all of the IT clients, can a vertical approach reduce costs, and does it have little-to-no impact on servicing the needs of the various IT clients? If yes, then go vertical; but remember the Business BRM speaks to the business clients representing these vertical services. An example of this would be the lead manager responsible for worldwide telephone or PC support.

## Step 3. Hierarchical structure is a thing of the past

Organizational structures with one set of responsibilities and one boss will not work in today's fast-paced business world, and certainly will not suffice in the CIO organization that is facing ever-changing IT demands and processes.

Today's structure is team and/or project-oriented, based on the skills needed for the particular situation. Managers and staff must be trained to function with multiple tasks, and changing team members and supervisors.

As the client's requirements or demands are determined, IT needs to be able to quickly assemble resources with the required skill sets from around the organization or world to meet these demands. For example, if the client's issue is how to handle large volumes of data being stored and moved on a daily basis, do not ask the Java developer to address the issue just because they are the key interface to that client. Have the processes in place to locate the best data storage

and data transport person in the organization or from the outside to solve the issue.

While this change appears to be structural in nature, it is more; it is a cultural change. IT staff needs to be trained differently, perform their work in a new model, and be evaluated and compensated based on a different type of result. IT managers should understand the nature of the change in staff roles as well as their own roles. To ensure success, both staff and managers have to embrace this change. Support from an HR manager who fully understands how the IT organization works and how IT people think is critical to this cultural change. See step five below for more on this issue.

#### **Step 4. Outsource the non-critical IT functions**

A discussion of outsourcing always gets a wide range of reactions from “Great; outsource everything;” to “We can do it better than any outsource provider.” These responses, however, are usually based on emotions or a belief that costs can be reduced.

It would be more beneficial for the discussion to focus on value for cost incurred as well as helping IT align with the profit centres.

A simple analysis can help determine where to focus your outsourcing and other work activities.

#### **Step 5. The right IT support players are required**

For IT to run like a business and align with its business partners, having the right support staff

is necessary. The support staff needs to have the solid fundamental skills of their functional area as well as complete awareness of IT and how IT personnel function. Just as the CIO should understand the business, the support staff for IT should understand IT.

This includes the following personnel:

##### **A. IT-CFO**

The CFO or Finance Director is responsible for all financial matters related to the IT organization, including strategic and financial planning, budgeting, business case analysis, results reporting, cost assignment to business or profit centres, and all financial performance measures. The IT-CFO should report to the CFO organization of the company but function as though he or she reports to the CIO. When aligned properly with the IT organization, the CFO can use the fully integrated portfolio management system to run the financials for IT.

Today's portfolio management systems can be used for budgeting, pricing out time reporting, billing to clients, full tracking of actual expenses, and interfaces to the companies general ledger. The IT-CFO can benefit from using the CIO's portfolio management system to run the financial part of the CIO organization, taking a partnering step in the overall process.

##### **B. IT-HR specialist**

The HR Specialist is responsible for all personnel-related matters in the IT organization, including issues such as hiring policies, evaluation criteria,

compensation, promotions, and all other personnel matters. The IT-HR Specialist should report to the HR organization of the company but function as though he or she reports to the CIO.

##### **C. IT-Communications specialist**

The Communications Specialist is responsible for all communication and marketing issues for IT. These include internal communications to staff and clients as well as any external communications. The Communications Specialist should report to the Communications or PR organization of the company yet function as though he or she reports to the CIO.

##### **D. IT-COO**

If the IT organization is large, an IT-COO may be required. This person is responsible for the day-to-day operations of IT and becomes the right-hand person for the CIO.

*With this set of support staff in place, IT is ready to function like a business.*

#### **About the Author**

*Rich Murphy, Planview Executive in Residence, is a financial and management authority specialising in cost control, running IT as a business, and operational efficiency.*

*Previously, Rich was a Managing Director with Deutsche Bank for 10 years, where he held the position of CFO for Global Technology and Operations and Support Divisions.*

*Rich joined Deutsche Bank in 1998, after a 16-year career at AT&T where he held a variety of financial and operational leadership assignments.*