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IT Strategic Alignment Benchmark Results

Orlando - Orange County Expressway Authority

July 27, 2011

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Risk & Business Consulting.
Internal Audit.

Executive Summary – Background

The IT Process Institute (ITPI), founded in 2002, is a not-for-profit organization formed by IT practitioners and academics to support IT audit, security, and operations professionals. The goal of the ITPI is to measurably enhance the efficiency and effectiveness of IT operations and controls.

The purpose of studying IT Strategic Alignment is to identify the practices that enable top-performing IT organizations to align IT capabilities with strategic business requirements. By participating in the IT Strategic Alignment study that took place on 5/26/11, OOCEA had the opportunity to examine the IT areas that do not align with strategic business requirements and identify changes that need to take place in order to drive higher performance.

The following individuals participated in the survey benchmark exercise on 5/26/11:

Sherry Christianson	David Wynne
Nancy Ippolito	Joann Chizlett
Laura Kelley	Lisa Lumbard
Rafael Millan	Rene Rodrigue
Fred Nieves	

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Executive Summary – OOCEA's Archetype

This benchmark session was developed based on the findings of the IT Process Institute's IT Strategic Alignment performance study. It was designed to help OOCEA compare its current practices and degree of business value-add to 269 IT organizations segmented into three IT *Value Archetypes* identified in the ITPI's research. According to the ITPI, there are three primary types of IT organizations based on basic attributes of how IT serves the business:

1. Utility Provider – primary purpose is to provide common infrastructure and information management services.

2. Process Optimizer – has two primary purposes: provide a common infrastructure and information management, as well as help optimize business processes and enable business-unit-specific objectives.

3. Revenue Enabler – has three primary purposes: common information management services, business process optimization, as well as enable customer-facing products and services.

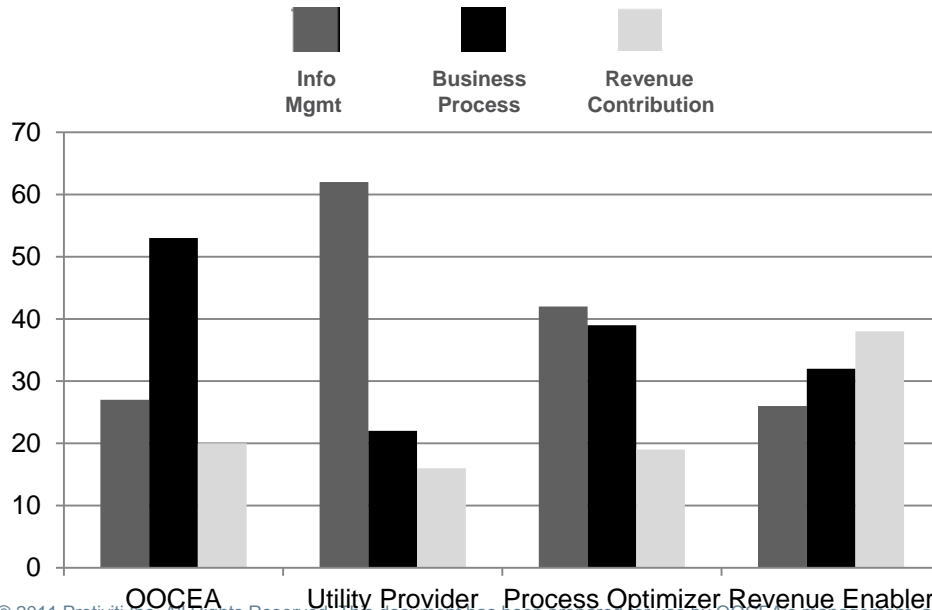**With 93% confidence, the ITPI model predicts:**

EXPRESSWAY AUTHORITY = **Process Optimizer**

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Executive Summary – 9 Attribute Average

OOCEA's IT department was analyzed against nine (9) common organizational attributes that highlight the purpose, focus, and core characteristics of an IT organization to determine its strategic alignment archetype:

1. Primary purpose of IT
2. Technology requirements
3. CIO role
4. CIO reporting
5. Funding

6. Use of metrics to measure IT performance
7. IT Executive participation in strategy development
8. Competitive advantage
9. Investment justification

For each attribute, OOCEA allocated 100 points across three different answers which are representative of the following: information management focus, business process focus, and revenue enablement focus.

Info Mgmt · **Business Process** · **Revenue Contribution**

OOCEA · Utility Provider · Process Optimizer · Revenue Enabler

Utility Provider

Utility Providers averaged 64% on the attributes related to the information management column in the model. They averaged 23% for business process attributes, and only 13 % for strategic revenue attributes. They are primarily focused on attributes related to managing common information management services, and have much less focus on attributes related business process optimization, and even less on revenue producing products and services.

Process Optimizer

Process Optimizers have a matched focus on shared service attributes and business process attributes (43 % and 38 %) with less focus on strategic revenue attributes (19 %).

Revenue Enabler

Revenue Enablers have a near even average mix of focus across all three areas (29%, 34%, and 37 %) with slightly more focus on strategic revenue and business process attributes.

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Executive Summary – Results Overview

On 6/20/11, Internal Audit reviewed the detailed results of the benchmark survey exercise with Joann Chizlett and Laura Kelley. The purpose of that discussion was to analyze the results and determine areas for targeted improvement by OOCEA. For each category addressed by the benchmark (e.g., Strategy and Communication, Business Linked Metrics, Governance, etc.) the various data points were plotted on a line graph as a means of easily comparing OOCEA's results to the averages for the three (3) archetypes. In doing so, one was easily able to identify instances where OOCEA's data point results fell well above or below the averages for each archetype category. As such, the team reviewed each category's line graphs in order to identify "outlier" data points, both positive and negative.

The following categories were identified as having more than one data point that *exceeded (i.e., positive)* the average of the highest performing archetype IT organizations:

- *Governance*: IT investments generate business value and mitigate IT risks.
- *Architecture*: Appropriate and standardized IT infrastructure / configurations.
- *Business Skills*: Skills possessed by IT personnel necessary to meet the business' needs.
- *Cost Effectiveness*: How well IT delivers IT capabilities at a reasonable or competitive cost.

Conversely, the following categories were noted as being areas that could add the most value to the organization if targeted improvements were made:

- *Strategy & Communication*: Frequency associated with the processes for aligning, developing, and reporting IT's strategy to the business.
- *Business Linked Metrics*: Prevalence of key performance metrics used to monitor and report to the business on various operational areas within IT.

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Executive Summary – Results Overview (con't)

Next Steps:

- **Strategy & Communication**:

  - An opportunity was identified for OOCEA's IT department to increase the frequency with which IT meets with the Business to discuss IT strategies / plans / projects in order to increase awareness and obtain buy-in from the Business. (Refer to slide 7 for additional information regarding this topic.)

  - *Management Response*: OOCEA IT Management concurs that an increase in frequency of IT Steering Committee Meetings would assist in increasing awareness of IT Strategies/plans/projects within the organization. IT Management will make every effort to hold IT Steering Committee meetings on a quarterly basis. This will allow for a status update regardless of whether or not there are additional projects/tasks to be presented to the committee at the time. Since the last IT Steering Committee was held in May 2011, the next meeting will be scheduled in August 2011.

- **Business Linked Metrics**:

  - The Business and IT should investigate the potential value of developing IT metric reporting, with the intent to increase the Business' visibility of on-going projects and the amount of manpower being dedicated to the various IT initiatives. (Refer to slide 8 for recommendations on how this could be implemented.)

  - *Management Response*: OOCEA IT Management concurs that the potential value of developing IT metric reporting should be investigated. IT will meet with representatives from the executive business leadership team to explore the requirements/needs and feasibility of collecting IT metrics. If management decides to begin collecting metrics, additional resources will be added to the budget so that metrics collection can be accomplished without impacting production. The meeting to investigate the value of developing IT Metrics reporting will be held by October 15, 2011.

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Road Map – Strategy and Communication

The OOCEA IT organization should increase the frequency of the formalized internal processes that would allow the department to better develop, monitor, and communicate their strategic plans to the business. In doing so, IT should continue to emphasize the following:

- Identify the various sources of demand (e.g. marketing initiatives, emerging technology, etc.) and channel them into a central function where each item can be assessed and classified.

- Classify demands into basic categories that are relevant to OOCEA's IT operating model. IT should work with the business to define categories with characteristics that the business will regard as reflecting their priorities and interests. For example:
    1. Activities that provide daily support (i.e., "keeping the lights on")
    2. Enhancement (i.e., altering existing technologies to improve business performance)
    3. Frontier (i.e., new technologies or projects to support future business capabilities)

- Prioritization of IT projects / investments resulting from business demand should then take place based on value and importance to the business.

- Accepting that IT resources are limited, IT resource allocation should then be determined based on priority. The results should be shared with the business as a means of level-setting and to confirm a common understanding.

- Rebalancing the Portfolio – As OOCEA's business priorities change over time, the portfolio of IT projects should then be re-assessed and rebalanced to continually reflect the evolving business strategies and needs. Adjustments to the IT resource allocation can then be made to ensure that all of the business' top priorities are addressed, while maintaining an understanding of the impact to other lower priority projects.

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Road Map – IT Metrics Reporting

IT management should collaborate with OOCEA's executive business leadership team to understand the nature and frequency of information related to IT that they are interested in receiving. This could increase the level of transparency and visibility into IT activities, and also supply upper management with the tools needed to make informed business decisions around capacity, prioritization, and IT investment.

If IT metric reporting is deemed to be a valuable proposition, OOCEA IT and business management should then work jointly to define basic metrics and information that they are interested in receiving (and on what frequency). For example, reporting elements could be focused on a listing of major IT projects where, for each project, the following items could be presented:

1. Current priority of each project relative to the overall IT project portfolio

2. Budget-to-actual data
    - Percentage of labor hours incurred vs. planned hours budgeted
    - Percentage of dollars spent vs. dollars budgeted

3. On-time data
    - Percentage of work remaining vs. calendar time remaining
    - Labor hours remaining vs. project hours remaining

If / when the initial reporting mechanism is put in place, OOCEA should then consider moving towards the use of a traditional IT balanced scorecard approach that incorporates performance metrics (i.e., financial, project, operational) as well as non-technical performance metrics such as resource management, future initiatives, and user satisfaction measures. Targets measures should be agreed upon for each metric to confirm adequate performance and establish accountability.

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Appendix A

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Line Graphs on Subsequent Slides

As previously indicated on slide 5, the subsequent slides contain graphical representations of the various data points collected during the benchmark survey exercise. The survey questions were divided into ten (10) distinct areas of IT performance and the detailed data point results can be found on pages 15 through 17 of the attached report.

Once the various graphs were created, the team reviewed each category's line graph in order to identify "outlier" data points, both positive and negative. Those outlier points were then discussed with Management to determine which areas represented the best opportunities for OOCEA to reap the most value if targeted improvements were to be made. In some cases, it was agreed that although a given data point was originally deemed to be an outlier, that any recommendations to improve that area would not be appropriate for OOCEA's business or IT operating model. As a result, only data points where it was mutually agreed that tangible value could be achieved by the organization were circled and identified below each respective graph.
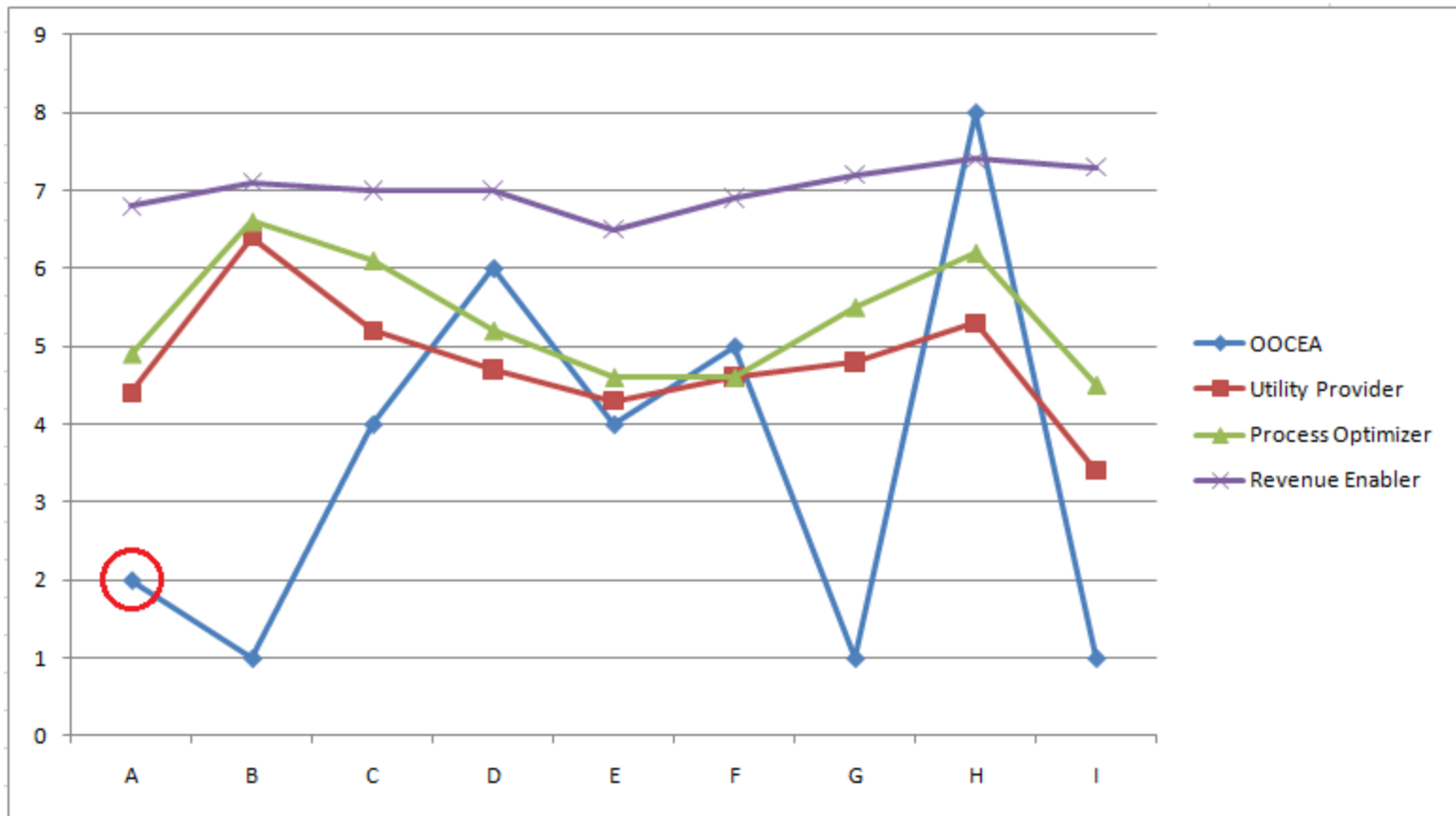
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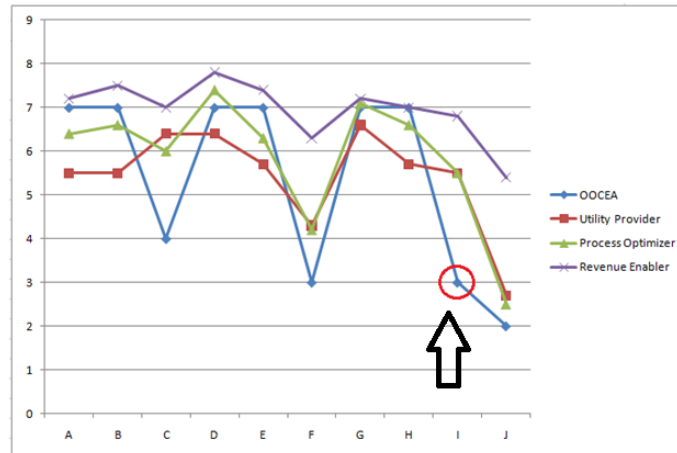
Strategy and Communication
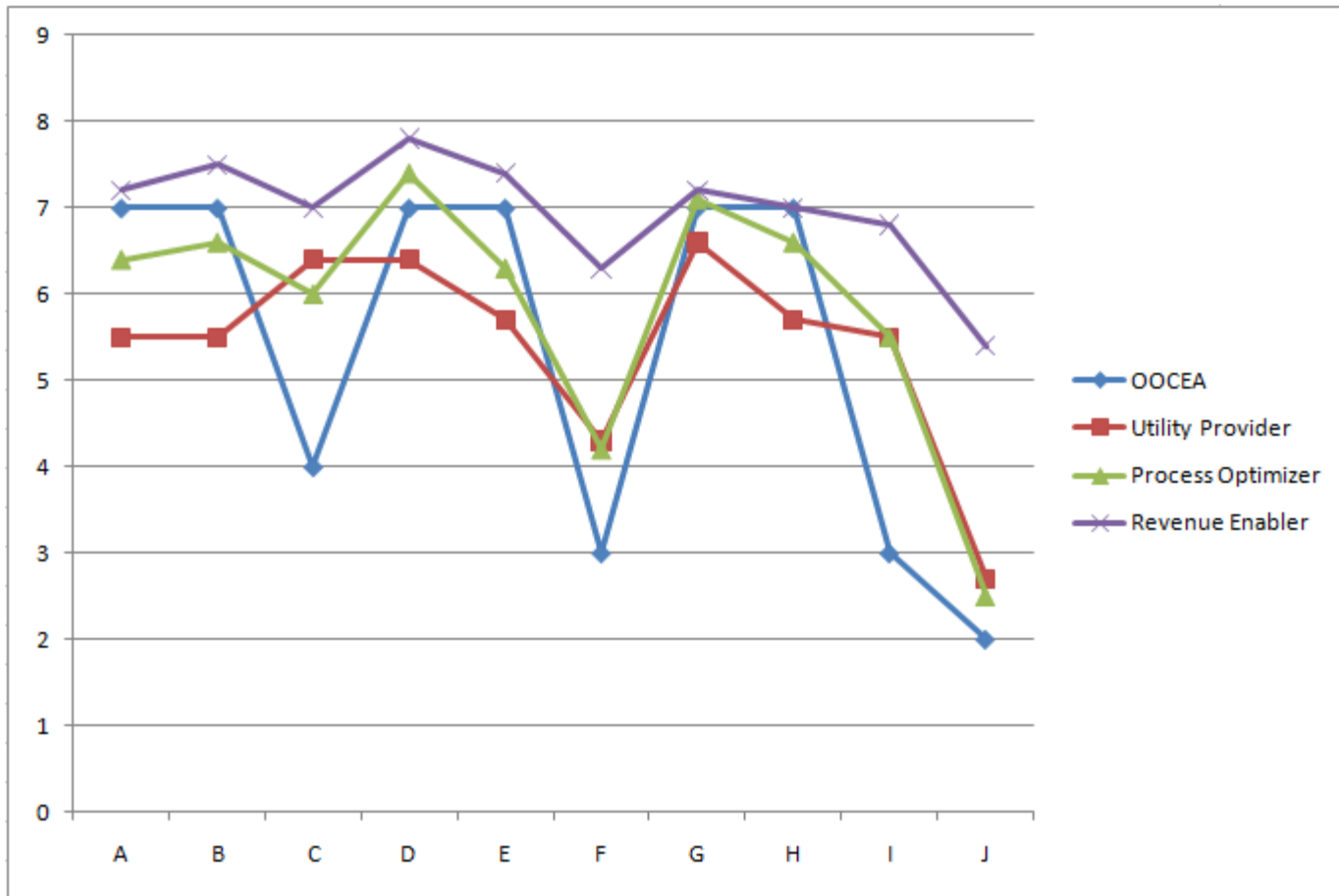
Potential Discussion Points:

Frequency with which IT meets with the Business to discuss IT strategies / plans / projects in order to increase awareness and obtain buy-in from the Business
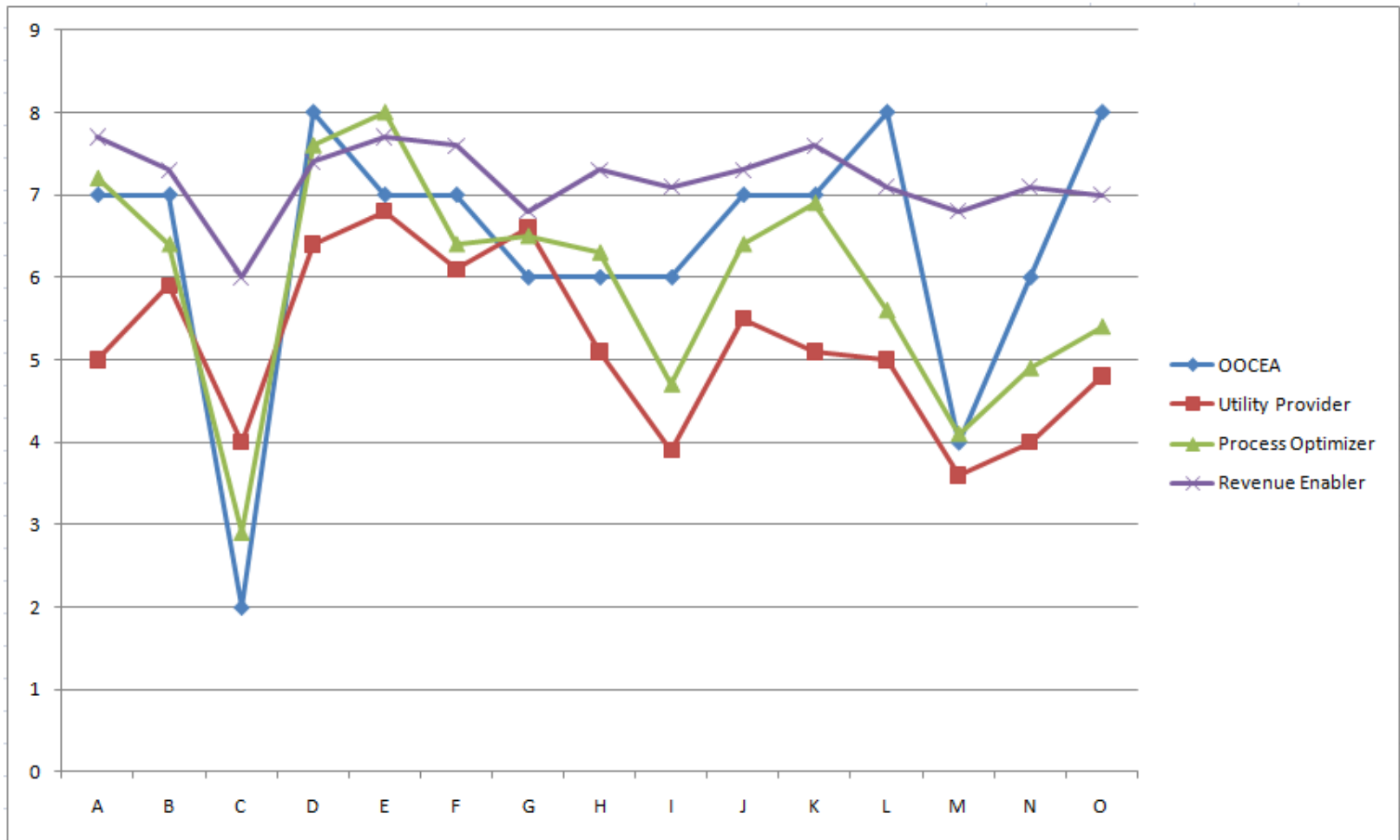
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Business Linked Metrics

**Potential Discussion Points**: (see attached report, pages 15-17)

A – We have a balanced set of IT performance metrics that include business-linked measures such as business process efficiency, market share gains, revenue growth.

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Governance

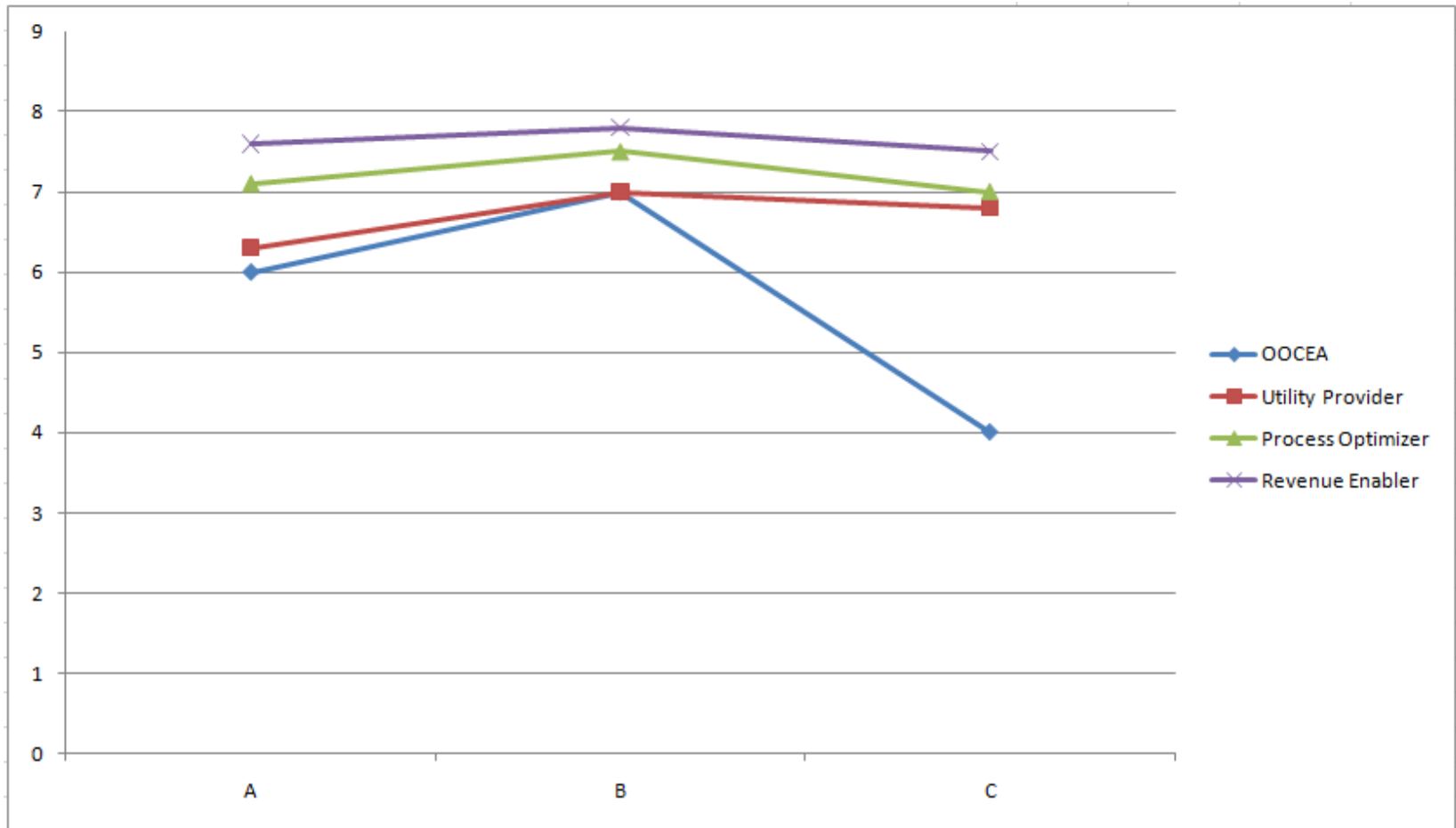**See attached report, pages 15-17 for data point information.**

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Architecture

See attached report, pages 15-17 for data point information.

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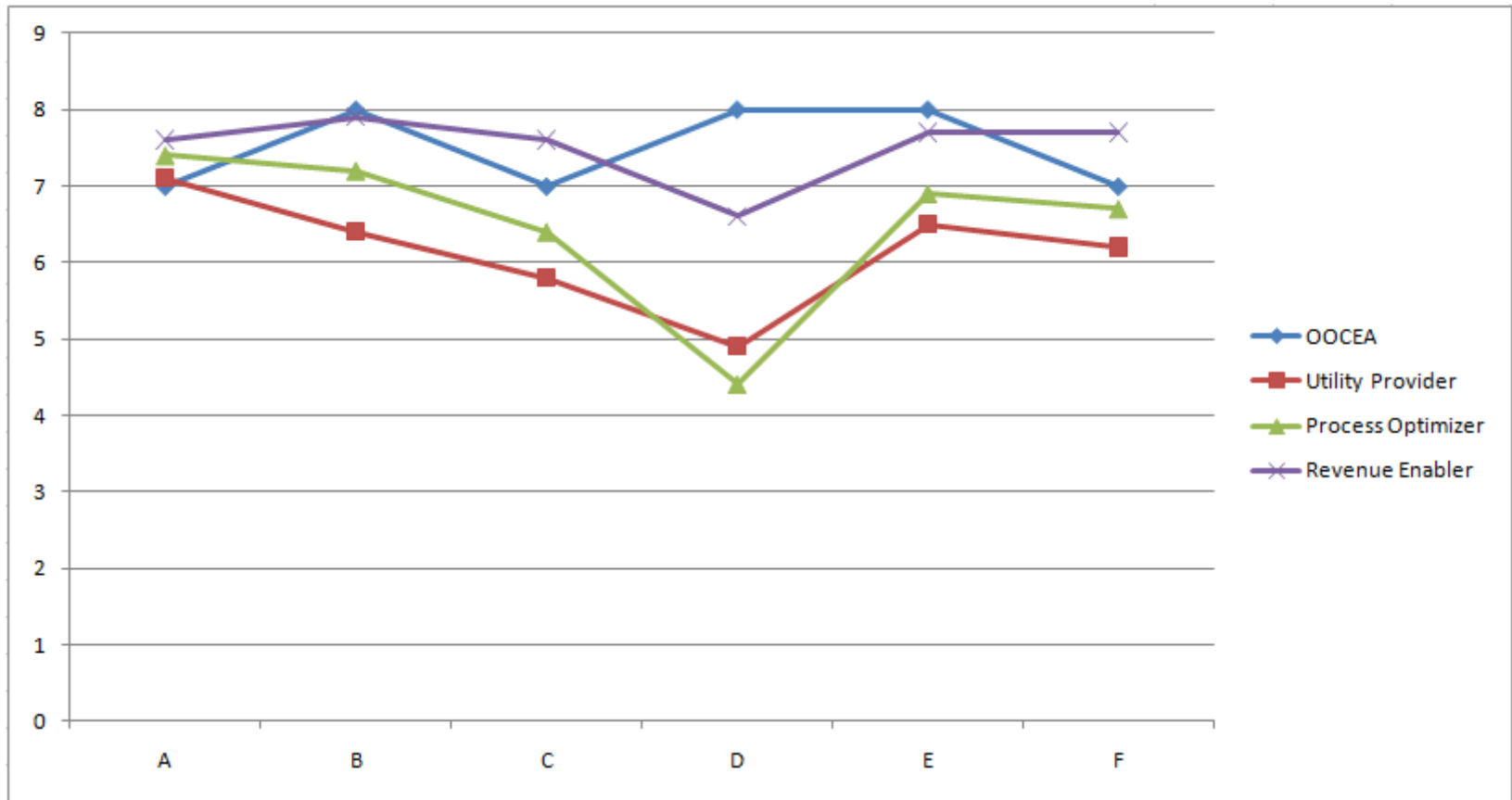
Business Skills

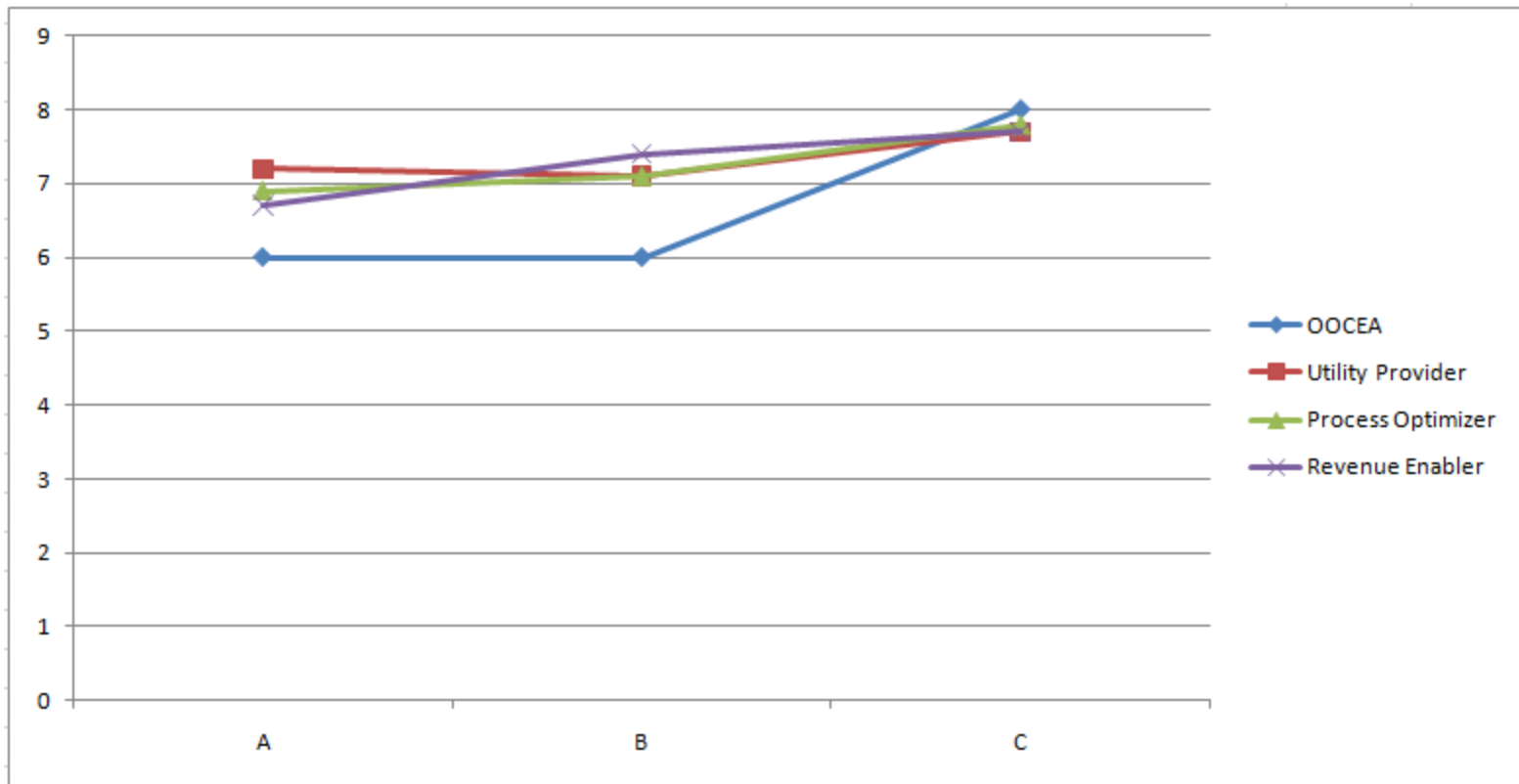**See attached report, pages 15-17 for data point information.**

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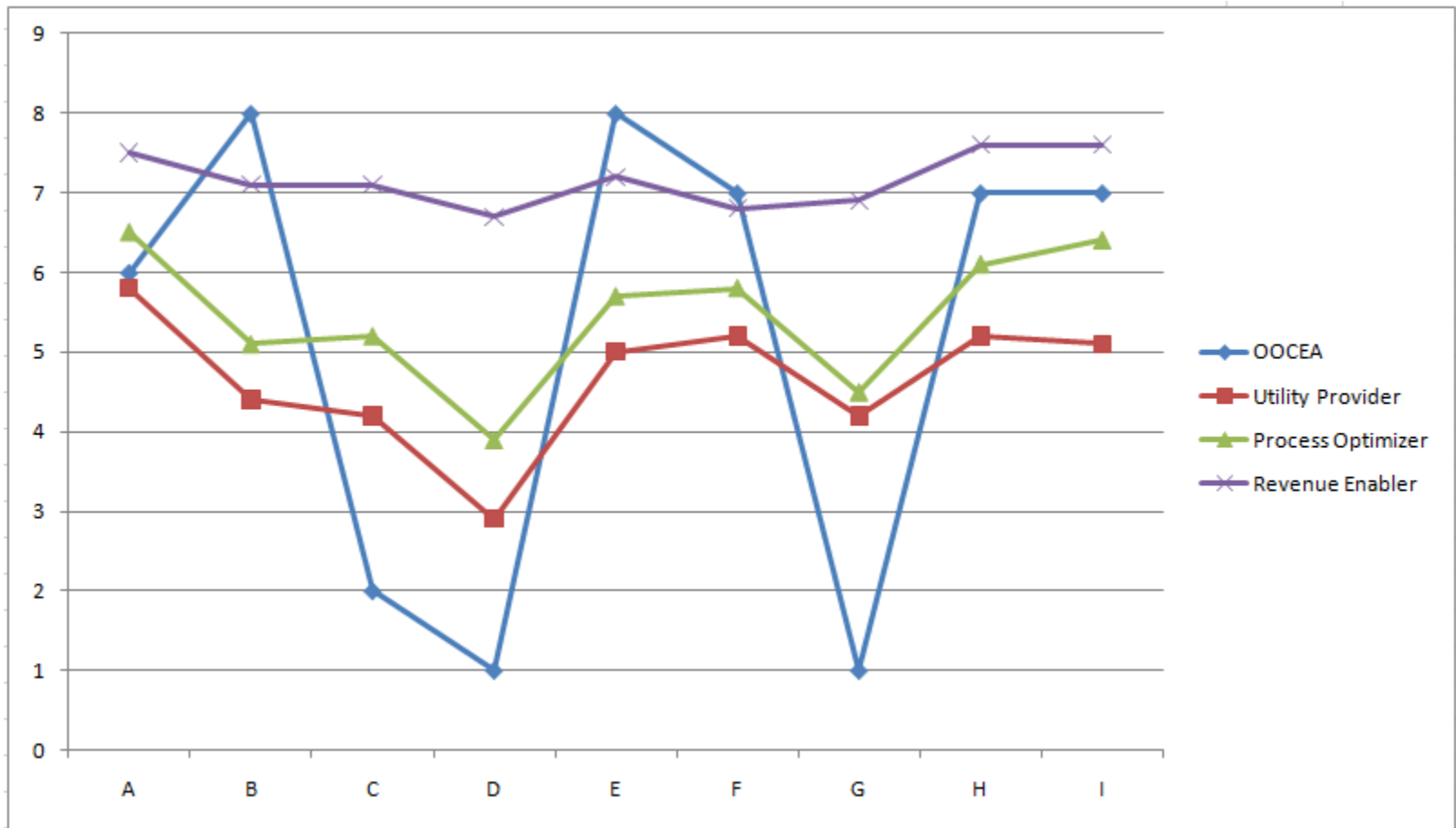
Business Alignment

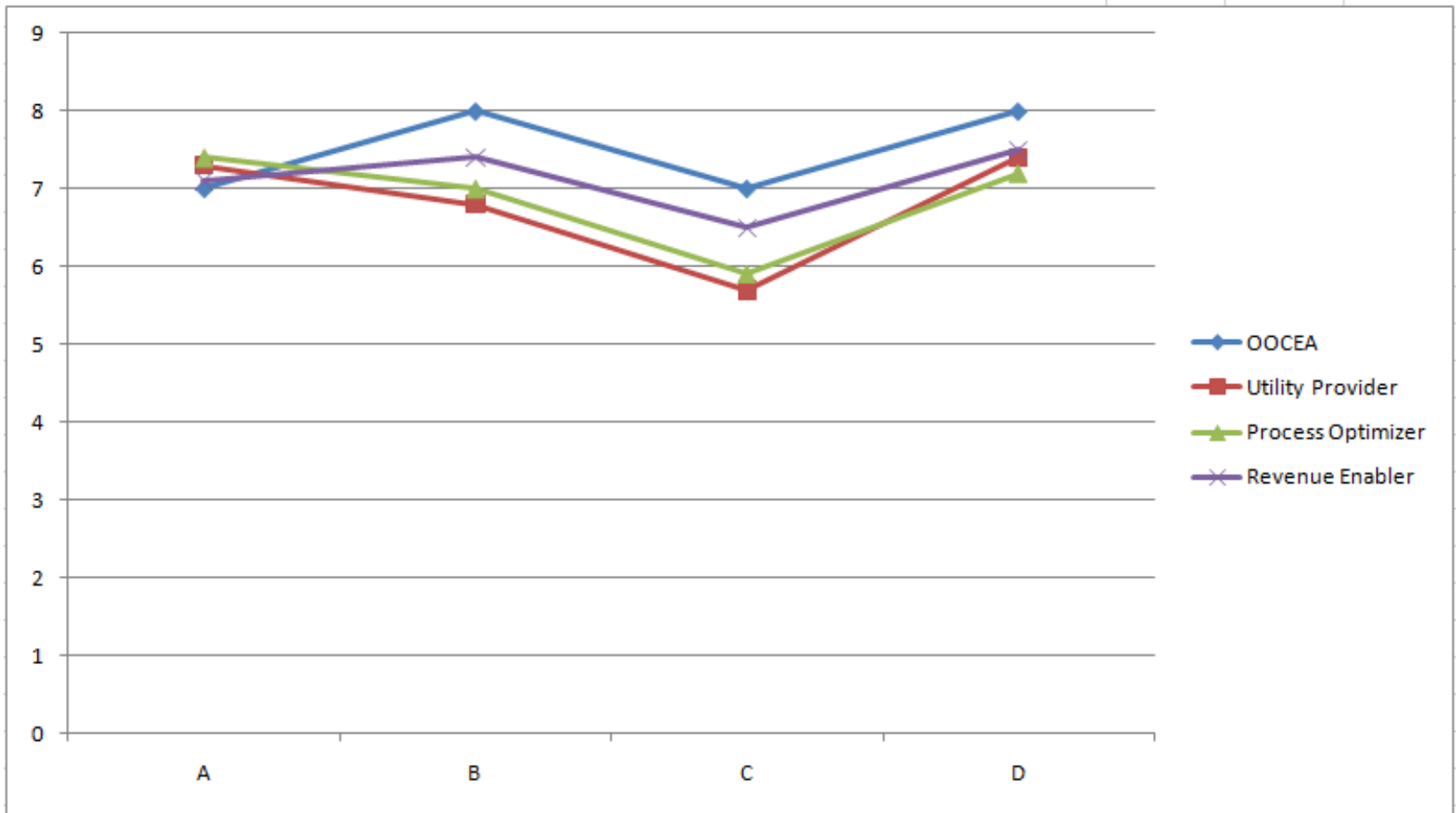**See attached report, pages 15-17 for data point information.**
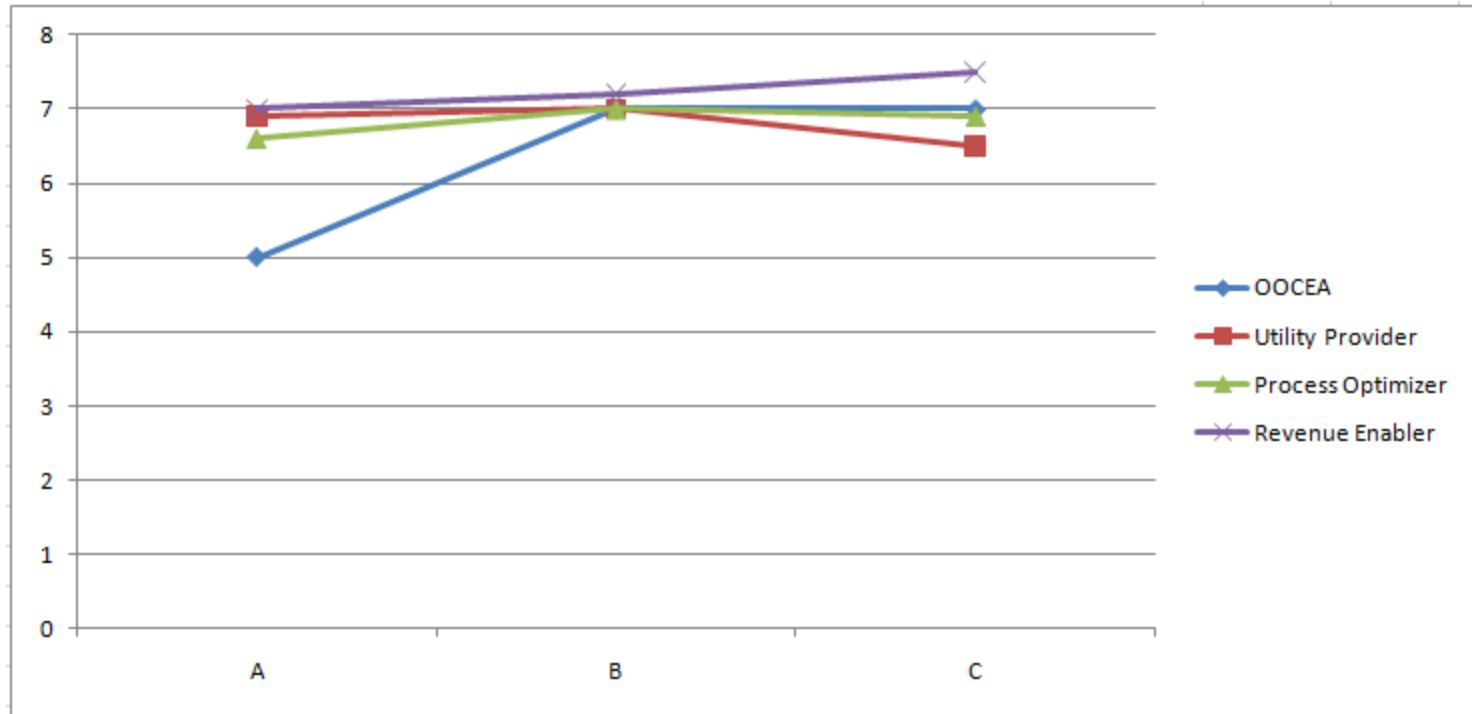
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Service Delivery

See attached report, pages 15-17 for data point information.
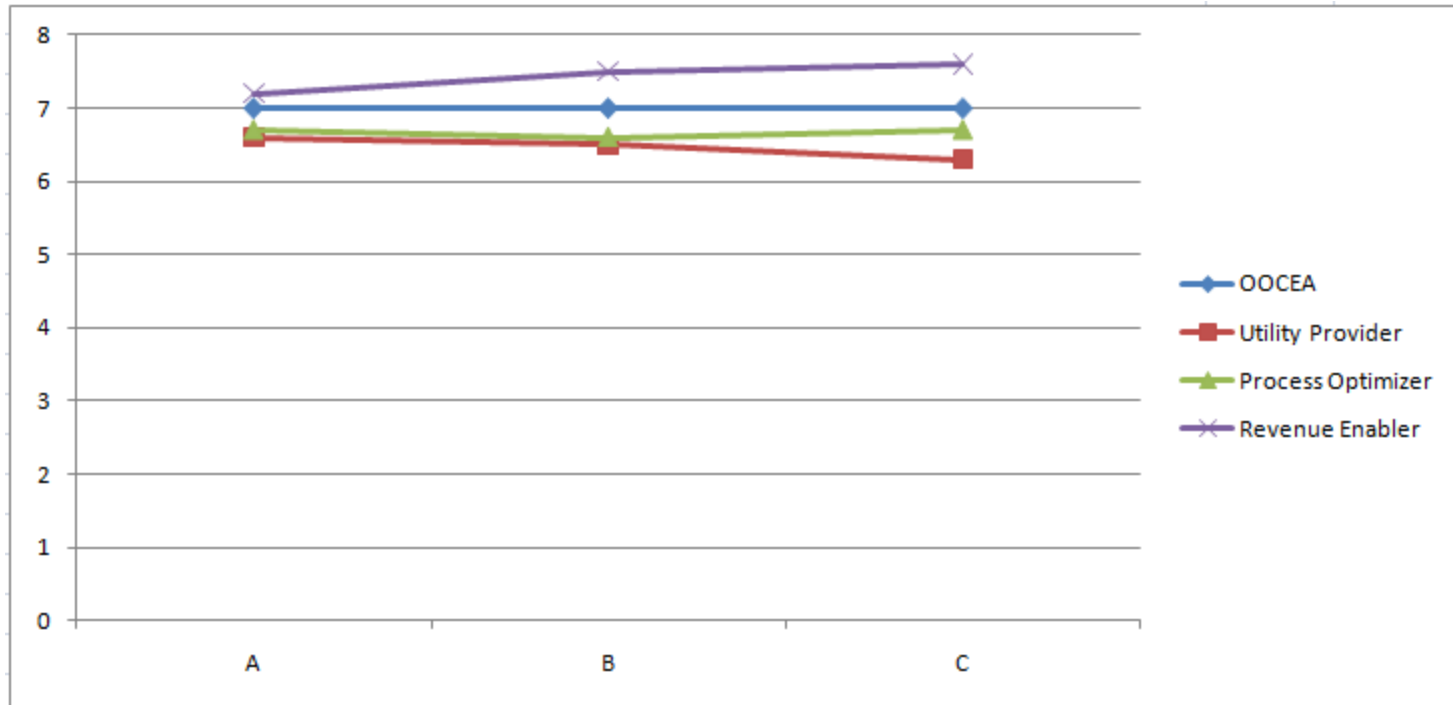
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Cost Effectiveness

See attached report, pages 15-17 for data point information.

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Agility

See attached report, pages 15-17 for data point information.

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Innovation

See attached report, pages 15-17 for data point information.

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