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THE TECH STRATEGY GAP

Industry is dependent on technology to address today's strategic challenges. The alignment of IT with business ranked among the top ten concerns in a 2016 Society for Information Management (SIM) survey of CIOs. Although this concern has been expressed in various polls and surveys for almost two decades, a significant percentage of technology initiatives still fail to deliver the desired business outcomes.

Tech transformations, such as cloud deployments, must be demonstrably aligned with strategy and not vague assumptions of cost efficiencies or business agility. At best, the failure to align technology and strategy will result in successful technology deployments that fail to deliver significant business outcomes. At worst, it will result in failed technology deployments and lost opportunities. These are examples of the tech strategy gap.

Many businesses are either rethinking or evolving their strategies in response to today's challenges. Among these are disruptors' challenges to incumbents, new product and service delivery models, disruptive macroeconomic and geopolitical trends, and cyber security threats. Executing the strategies intended to address these challenges requires new processes and organizational capabilities. Traditionally, technology enabled the cost-effective realization of these processes and capabilities, but increasingly technology is central to the realization of the strategy. New product and service delivery models are just one example for which technology is central to the strategy.

The tech strategy gap is addressed, in part, by aligning technology and strategic business objectives. Specifically, it's addressed by ensuring that technology initiatives are delivering the products, services, internal processes, and organizational capabilities required to realize the business objectives. This may sound straightforward, but in practice it's not. Aligning business and technology is best achieved by the adoption of a formal framework or process whose efficacy has been demonstrated in other businesses or industries.

Several frameworks can be used to inform the alignment of IT objectives and business strategy. Strategy maps—which are an artifact of balanced scorecards—are one example, and objectives and key results (OKR) are another. Both frameworks have been successfully employed by global enterprises in several industries. We've chosen strategy maps for this paper because they lend themselves to a graphical representation of the relationships between various objectives.

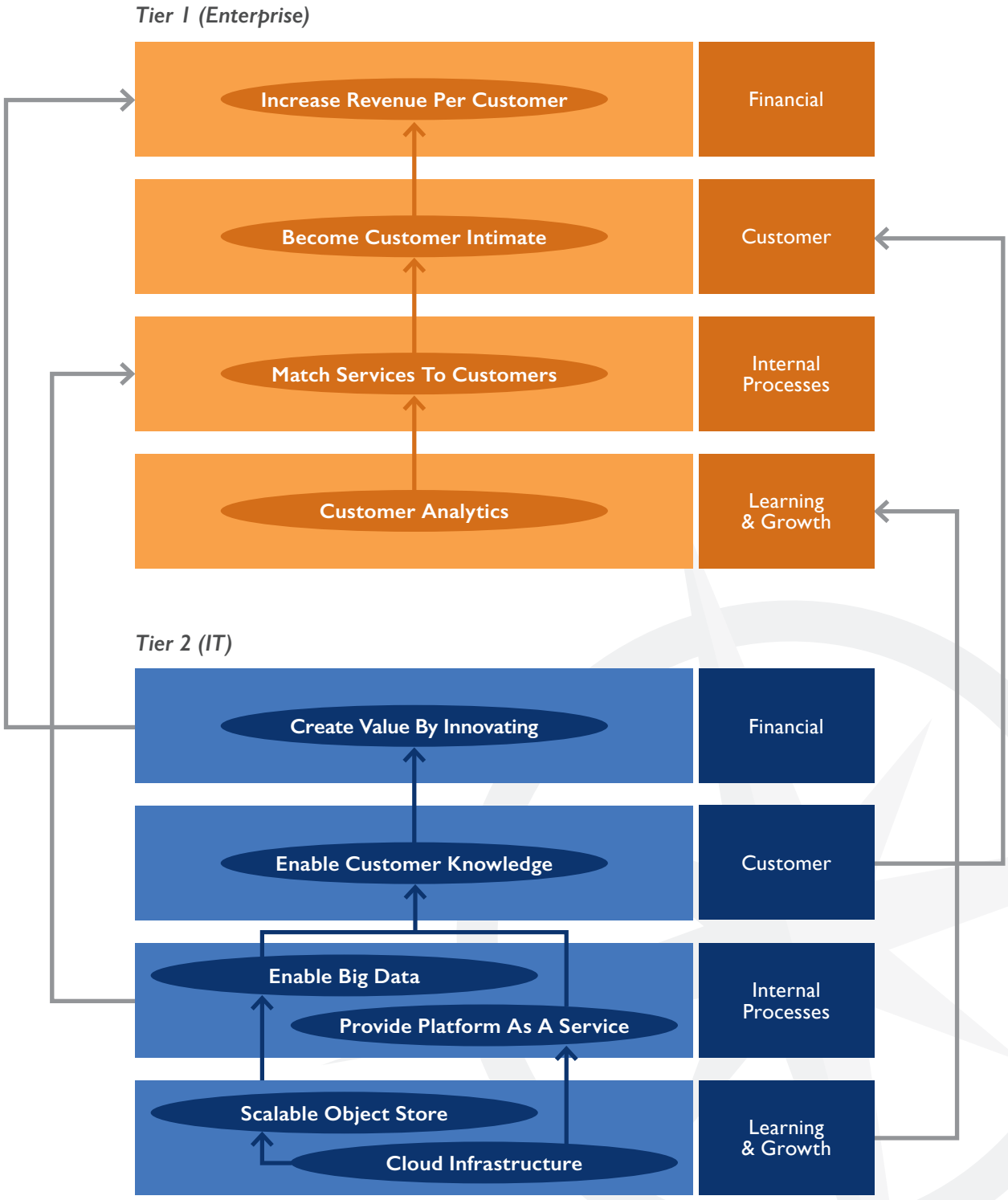
STRATEGY MAPS

Strategy maps diagrammatically depict the cause-and-effect relationship between desired outcomes and the drivers of these outcomes (See Figure 1). The map is divided into four perspectives:

- **Financial:** the financial outcomes, such as increased revenue per customer, that will be achieved
- **Customer:** the customer (i.e., market) impacting objectives, such as customer intimacy, that contribute to achieving the financial outcomes
- **Internal processes:** the processes, such as matching services to customer needs, that contribute to achieving the customer objectives
- **Learning & growth:** the organizational enablers, such as customer data analytics or key staff competencies, that must be developed or acquired to enable the internal processes

CASCADED STRATEGY MAP (FIGURE 1)

Ideally, objectives are tiered with Tier 1 representing the enterprise objectives. This framework also can be used to align objectives within a single division of the enterprise. (In the latter scenario, a division, department, or group within the enterprise can adopt the framework without requiring the entire enterprise's engagement). The business units and functional organizations' contributions to the Tier 1 objectives are the objectives of the subsequent tiers. It is referred to as a cascaded strategy map.



CASCADED STRATEGY MAPS

Figure 1 is a cascaded strategy map consisting of a set of Tier 1 enterprise objectives and the corresponding Tier 2 IT objectives for a hypothetical business, such as a retail bank. In practice, the strategy map would include a larger set of business objectives and encompass more than just IT. Tier 2 should encompass all of the functional organizations and business units that will contribute to achieving the Tier 1 objectives, but this example is sufficient to illustrate how frameworks such as strategy maps align IT and business objectives.

In Figure 1, the business' financial objective is to increase revenue per customer. To achieve this objective, the business will become customer-intimate. Customer intimacy will require processes to match the business' products and services to the customers' needs. Correspondingly, this will require the capability to perform customer analytics.

Key to the success of the strategy is the measurability of each objective. The financial objective (increase revenue per customer) is inherently measurable. The metric for customer intimacy could be an increased lifetime value of customers. Similarly, the process objective (matching products and services to customers) could be measured using customer satisfaction metrics. Finally, the learning and growth objective could be determined by the successful delivery of a customer analytics model.

The IT strategy map (Tier 2) is comprised of the same four perspectives. The financial objective is to create value through innovation. Enabling a more intimate knowledge of the enterprise's customers contributes to achieving the financial objective. In the context of process objectives, enabling big data and platform as a service contributes to achieving the customer objectives. In this example, the requisite learning and growth capabilities are cloud infrastructure and a highly scalable object store.

Most importantly, each of the Tier 2 perspectives is aligned with the corresponding Tier 1 perspective. The IT objective of creating value through innovation is aligned with the corresponding enterprise objective: increasing revenue per customer. Enabling customer knowledge facilitates customer intimacy. Enabling big data and platform as a service facilitates the processes required to match services to customer needs. Likewise, a cloud infrastructure and a scalable data store facilitate developing a customer analytics model. In this manner, the strategy map both facilitates and communicates the alignment of business and IT objectives.

The IT objectives can be identified using gap analysis. In essence, the gap analysis identifies the difference between the objectives at a given tier and the IT organization's contribution to these objectives. In the example, matching services to customer needs requires processes to capture, curate, analyze and visualize large data sets (i.e., big data). These process requirements dictate the IT process objectives. IT processes that are either nonexistent or inadequate will have to be developed or improved.

As was the case for the enterprise strategy map, each of the IT objectives must be measurable. Creating value through innovation could be measured by the percentage of the IT budget dedicated to changing the business (CTB) versus running the business (RTB), or a similar set of metrics. The metric for enabling customer knowledge could be the number and breadth of customer data points, such as conversion rate, customer revenue, customer profitability, and customer lifetime value. Enabling big data and platform as a service could be measured by the successful delivery of these services. Similarly, the deployment of cloud services and a scalable object store could be the success criteria for these objectives.

Finally, the various objectives must be prioritized. Typically, priorities are expressed as percentages and collectively represent the priority of the various threads in the strategy map. The following table outlines a set of hypothetical priorities that give precedence to the thread on the left side of the IT strategy map in Figure 1 (creating value by innovating, enabling customer knowledge, enabling big data and developing a scalable object store). The priorities inform the allocation of resources to achieve the objectives.

OBJECTIVE	PRIORITY
Create Value By Innovating	15%
Enable Customer Knowledge	15%
Enable Big Data	25%
Provide Platform As A Service	10%
Scalable Object Store	25%
Cloud Infrastructure	10%

STRATEGY EXECUTION CONCLUSIONS

The challenges currently confronting businesses dictate that all initiatives compete for the same limited resources: budget, staff, and senior management mindshare. Neither business units nor functional organizations (e.g., accounting, human resources, procurement) can give priority to technology initiatives that are not demonstrably aligned with business objectives. The cause-and-effect relationship between IT and business objectives should be clear to senior executives such as the COO and CFO. Furthermore, these relationships should be communicated throughout the enterprise. Developers, admin, and engineers should be able to identify how their efforts contribute to achieving business objectives.

To avoid the tech strategy gap, business and IT objectives must be demonstrably aligned and communicated. There are frameworks that can be adapted to facilitate this process. A key takeaway is that businesses must develop, acquire, or contract the strategy execution expertise to successfully employ these frameworks.

ABOUT OPTIMITY ADVISORS

Optimity Advisors is a rapidly growing, multi-industry strategy, operations, and information technology advisory firm with multiple locations throughout the United States, United Kingdom and Europe.

We specialize in the critical set of services that sit between high-level strategy and delivery and execution. We provide a strategic outlook through proven methodology, knowledge, and instinct, helping to craft an actionable future vision that aligns with your long-term goals and objectives. We bring an end-to-end industry understanding to help you rise above the day-to-day, focus on the opportunities ahead, and align your organization for success.

ABOUT THE AUTHOR

ELTON BATES, SENIOR MANAGER

Elton has more than 25 years of IT experience, including planning and executing major on-premises and cloud-based tech initiatives. He has a track record of managing people, processes, and technologies to produce deliverables that
are aligned with business objectives. Elton's expertise includes tech strategy planning, strategy execution, and program management, including program planning, governance, and execution.

PARTNER CONTACT

DANNY FARYNIARZ, PARTNER
Optimity Advisors
Inform | Transform | Outperform

183 Madison Avenue, Suite 1205
New York, NY 10016

Direct: 917-242-2957
Mobile: 917-484-2335
Fax: 202-540-9223

Danny.faryniarz@optimityadvisors.com