

Setting IT Strategic Priorities

June 7, 2007

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IT strategy gets a lot of ink. Lengthy treatments of how IT should “align with the business” and “be strategic” or “treat the business as a customer” highlight the difficulty of achieving this. Through our work at Technisource in outsourcing IT departments we have identified the common actions and priorities that differentiate the most successful operations.

IT Pragmatism

The best CIOs use a tough pragmatism to ensure well-functioning baseline operations in IT at the least possible cost. Trouble-free basic operations give CIOs the freedom to focus on developing effective working relationships with senior executives, building a deep understanding of the business, recruiting the best talent to their team, and keeping up with industry and technology changes. Focusing on these things ensures that the CIO is able to identify, advocate, and execute meaningful, business-changing initiatives. CIOs who fritter their time and budget away on firefighting or the wrong priorities invariably preside over the worst-run departments and the lowest business and IT staff satisfaction.



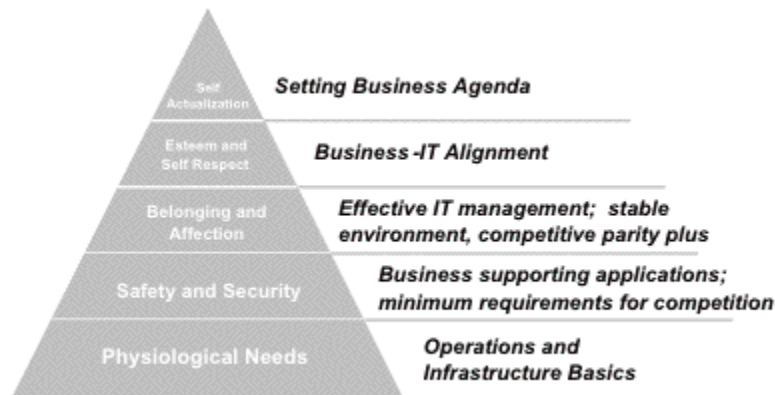
Excerpted from [*The Executive's Guide to Information Technology: 2nd Edition*](#)



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Building a solid trouble-free baseline of IT operations is the top priority for the CIO. If these areas are not operating effectively, the organization will have little interest in strategic projects. CIOs are often prone to distractions and get these priorities out of order, worrying about strategic alignment before stabilizing the basics. As illustrated in the cartoon, the CIO must foremost be a pragmatist and make sure he is worried about the “fish food.” Senior executives love pragmatists, especially in IT. A pragmatist with vision will find an eager audience. A visionary without pragmatism will not.

To emphasize this point, we have designed a conceptual model for thinking about IT priorities similar to Maslow’s well-known hierarchy of needs. Levels I through III (the bottom three levels) are internally focused on operations, infrastructure and applications. The top two levels are governance and externally oriented.



Level I: Operations and Infrastructure

The base level is all of the systems, staff, processes and infrastructure required to provide basic utility services. These include such things as desktop and laptop computers, e-mail, printing, file services, networks and network hardware, telephones, reasonable security. These are considered "lights-on" applications; like any utility, if you cannot deliver these, no one cares about anything else on the hierarchy.

Level II: Business Supporting Applications

Once the need for stable basic infrastructure is satisfied, the next level of the IT hierarchy is concerned with establishing the basic applications that support the business. Back-office systems provide functions for basic accounting and other internal administrative functions.

The front-office systems are used to operate the business. Their functions vary widely depending on the industry or type of organization they support. For instance, typical functions for a manufacturing company would include order entry, customer database, manufacturing planning, inventory management, and distribution.

At level II, the functions on both the back-office and front-office area should provide rudimentary functionality.

Level III: Competitive Parity Plus

The focus of level III is improving the usefulness of applications to the business. Organizations operating at level III will have the following characteristics:

- The package or custom systems will provide full coverage of core front-office and back-office needs. The organization will be fully exploiting package capabilities, as well as using customization and configuration to create additional unique functionality.
- Additional helper applications for both administrative support and to augment the core front-office and back-office systems have been implemented – CRM, forecasting, HR support, etc.
- All applications are well integrated and have global access to common, non-duplicative lookup and transaction data.

- Overall applications will be industry or market leading through the incorporation of strategic, proprietary capabilities that are used effectively throughout the organization.
- Supporting systems infrastructure will be robust and redundant: effective disaster recovery, data center management, systems monitoring, configuration management, and systems management tools in place.

Level IV: Business-IT Alignment

At level IV, all IT decision making is made congruent with business priorities. This is reflected at across staffing, budgeting, project, application architecture, and O&I support answering questions such as:

- What hardware to purchase.
- What staff to hire.
- What staffing levels are set.
- Which vendors to partner with.
- How capital and operating budgets are deployed.
- Which projects are done.
- How many concurrent projects are appropriate.

The IT department will also have:

- Implemented an IT steering committee for governance and will be meeting with reasonable frequency.
- Developed mature project and demand management capabilities, ensuring the appropriate number and size of concurrent projects are underway.
- Implemented all important policies required, and has successfully complied with any relevant industry regulations or internal company requirements.
- A CIO with an effective relationship with senior management
- Periodic IT end-user customer satisfaction surveys consistently provide satisfactory or above ratings
- Staffing levels are industry appropriate with low turnover and higher-than-average skills

The challenge of achieving level IV for the IT department is understanding precisely what the business needs. Doing this requires a deep understanding of how the business operates and what the executives who are running the business care about. This in turn requires the CIO and IT department to have effective working relationships with the business users and to spend significant time with them. What many CIOs discover in attempting to align IT with the business is that there is often conflicting information and conflicting priorities within the business. One of the myths of business–IT alignment is that the business side of an organization has a coherent, well-defined strategic plan, and that if IT could simply understand it they will be on their way to level IV.

Level V: Setting the Agenda

Level V elevates IT from a model in which it exists to ascertain and then carry out the wishes of the business, to one where IT is helping the business by spotting opportunities to use technology and IT services to improve both IT and business performance.

Organizations that achieve the best value from IT has CIOs who not only understand and serve the business, but also combine that understanding with deep technology and application expertise to drive high ROI initiatives within the organization. In these companies, the CIO is a peer of senior management and a critical part of the executive team.

In Summary

We have found that our prescription is sometimes met with distaste by IT practitioners. Accomplishments at the base level of the IT hierarchy are often considered uninteresting, mundane drudgery. However, walking before you attempt to run is advisable in IT.

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