

P E R S P E C T I V E

Business and IT Alignment: Shall the Twain Ever Meet?



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Two separate surveys of retail banks conducted in different parts of the world had one thing in common – in both, respondents cited the relationship between business and Information Technology (IT) as a major barrier to innovation.

Decades have passed since information technology first made its appearance in banking. Financial institutions have invested billions of dollars in various solutions to literally change the face of their business. Over the years, from the days of legacy systems until now, business and IT have worked together, to globalize banking, raise efficiency, improve product innovation and revolutionize channels of delivery. Yet, as the surveys showed, the two functions are not nearly as well aligned as they should be.

Before commenting on its lack within banking institutions, let us take a closer look at alignment:

Alignment is described as the appropriate and timely application of IT, in harmony with business objectives, strategies, and requirements. Business and IT alignment occurs when the respective strategies are interwoven in such a way that the right things are done, and things are done right, to deliver greater value to the organization. This implies that successful alignment is a two-way relationship, a give and take between IT and business.

However, the business IT relationship is a delicate one, often wrought with competing interests, communication issues, and a lack of mutual understanding on who should be leading whom. The last, most important question is far from being resolved, given that IT and business are well-matched rivals that over the years have alternately held the upper hand.

Hence, aligning IT and business remains a hot topic of discussion amidst a continuing disconnect between the two functions. Naysayers have concluded, perhaps a tad hastily, that the twain shall never meet.

On the other hand, a 2011 study by a global consulting major on the balance between IT and business is more optimistic and suggests that some companies are better aligned than others, and are performing better as a result.

Indeed, this is a more reasonable view. The alignment between a bank's business and

IT factions can be improved by forging a co-operative, mutually beneficial relationship between the two and getting both sides to agree on fundamental issues such as business' involvement in the project and technology's role in building the business.

On the practical side, there are a number of frameworks, models and best practices that can help IT become increasingly proficient and better aligned to business requirements. Some of them can even arrive at a score that measures the extent of alignment.

The journey towards alignment begins when business and technology realize that they have common goals, defined by the core purpose of the bank that they serve. Also, IT must shake off the view that it is an end in itself, while business must recognize that it is not best placed to take technology-related decisions on its own.

In a supportive and co-operative environment, IT can contribute valuable ideas on how to solve a business problem. By rationalizing and standardizing technology and supporting it with vital services, IT can also help bridge the islands of technology that were created when different business lines decided and invested on their own.

However, the reality is a wary truce between the two functions, under which business gets to decide technology investments, whereas IT gets to specify compliance standards for hardware, operating system, connectivity, integration, middleware, architecture, security, audit, and so on. The balance of power and responsibility between the two has evened out over the years as IT progressed from being a department-level activity to a centralized function, and unified disparate system silos into an organizational asset.

While there are a number of models and frameworks for business IT alignment, most advocate a "common sense" approach, along the following lines:

IT and business must work towards business objectives

Banks' business users don't much care about gigabits per second or storage capacity and redundancy. What they do care about is whether

a new core banking platform is flexible and agile, or can support a spurt in transactions without breaking down.

At the start of any IT project, managements on both sides must establish requirements that support overall business goals. Next, IT needs to demonstrate how each of its services can add value to the bank's business objectives. That being said, IT need not always be the lead contributor to business goals; it might only play a marginal role in the fulfillment of some. In contrast, some business objectives might be purely IT-driven – for instance, while the business objective of cost cutting can be achieved through process standardization and rationalization etc., a pure IT action, namely porting and moving mainframe applications to a Linux private cloud alone can also make a significant impact on cost. Then again, core banking transformation is an altogether different proposition in which the impact of technology is felt most by the business.

IT must grow beyond 'doing IT'

IT needs to outgrow its 'support function' self-perception and believe that it is part of the business, indeed at times, the business itself. It must try to find an IT solution to business challenges rather than saddle the business with technology issues. For instance, it could propose that core systems be renewed to improve agility and time to market, to enable the bank arrest its sliding market share. This is alignment at work.

Business must be aware of its IT resources

It is very important for banks to be aware of their IT resources, which is something that they often neglect to do. This is because their business' competitiveness depends a lot on the quality of their technology resources, and whether these resources are nimble or efficient enough to meet changing market needs. This is very apparent in the case of mobile banking, where any solution that is unable to cope with the evolution of mobile devices, is worth little.

When the organization familiarizes itself with its technology resources and understands how the latter's capabilities could make or break the business, it will give it the attention that it so badly deserves.

IT services must make a business proposition

Alignment can also improve if IT positions itself as a provider of services, rather than a storehouse of technology. A mainframe means little to bankers, but its ability to provide customer insight or cut time to market means a great deal. By smartly reinventing its proposition around business-relevant services, IT can attract the business' attention. In fact, doing so will also create a better understanding of the impact of one function on the other.

Focus on business value

Regardless of its role, every IT activity, project or service must play a part in creating business value for the bank. Unfortunately, this is easier said than done, because often there isn't unanimous agreement among the bank's stakeholders on the definition of business value or how that may be measured. Nevertheless, an IT agenda must work towards achieving business-related and not IT-related metrics in order to improve alignment. Only by conveying how a certain technology can say, help scale up transactions or increase the rate of customer acquisition – both core measures of business value – will IT be perceived by business as being in sync.

Be part of innovation

Often, IT-led research and development occurs in a vacuum, or is just a quest for something new. Once in a while, this results in a new idea that can be deployed within the business – which is a lucky coincidence rather than a planned event. If IT were to readjust its view of R&D from that of 'pure technology' to a catalyst of banking innovation, business would certainly align with it. In return, the investment towards IT R&D must be provided for in the bank's innovation budget instead of being billed as IT expenditure.

Conclusion

Even as IT and business grapple with (aligning with) each other, there are some who believe that these efforts are being wasted in a lost cause. Others question the fundamental premise itself by asking why IT needs to be aligned when it is part of the business. A third, resigned view is that there can never be perfect alignment

between business and IT; the two can only strive to minimize misalignment.

Irrespective of these opinions, the fact remains that alignment is a 'real' quantity, which is realized when IT works with business to achieve key business objectives, resolves business challenges, creates a repository of assets which is part of the business, and delivers measurable business value. When there is alignment, business relies on IT the enabler, instead of facing off against IT the resource drainer. And when there

is alignment, dare we hope that the relationship between IT and business will no longer be the biggest barrier to innovation but rather its strongest driver?

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