The Business-IT Maturity Model
A Formicio Insight Article by Vaughan Merlyn

Introduction
This is the first of a three-part series of papers on a Business-IT Maturity Model (BIMM). This BIMM was first developed in the early 1990s and has evolved based upon extensive multi-company research and application through IT management consulting engagements.

Maturity Models as Management Tools
Maturity models are invaluable management tools. They can be applied to individuals, eg, child to adolescent to adult; applied to organisations, eg, start-up to growth to mature; and even to entire ecosystems, eg, diffusion of innovation. Richard Nolan was among the first to propose a maturity model for IT management with his Stage Theory in the 1970s.

The Software Engineering Institute at Carnegie Mellon University contributed much to contemporary best practice in IT process improvement with a capability maturity approach known as Capability Maturity Model® Integration (CMMI). Typically used in an ‘inside out’ approach for assessing capability maturity and determining improvement practices, CMMI takes a firm position that process management is the key to IT improvement.

The Business-IT Maturity Model
The Business-IT Maturity Model (BIMM) was originally developed in the early 1990s by Vaughan Merlyn and a team of researchers he was leading at Ernst & Young’s Center for Business Innovation. The model came out of a three-year longitudinal study of 35 global IT organisations that were in various stages of IT organisational transformation. Vaughan subsequently led other research teams at The Concours Group (acquired by nGenera) to further study and refine the BIMM, including the collection of detailed assessment data from about 100 global IT organisations. The model has also benefited from 20 years’ practical application in the course of IT management consulting.

The research revealed that while process management (the basis of CMMI) is a critical discipline, especially at low Business-IT maturity, reaching higher maturity requires sophistication with demand-side disciplines. For example, it is essential that strong business-IT relationships be forged and ‘IT savviness’ be developed among business executives and users, especially about the business value of IT and what it takes to realise that value.

For these reasons, the BIMM addresses the maturity and trajectory of both business demand for IT (the business’s ‘appetite’ for IT) and IT supply (the ability to satisfy that demand) – ‘two sides of the coin,’ as it were. In so doing, the model reveals patterns of interdependencies and disconnects between demand and supply over time. Demand and supply in many ways comprise an internal market, with reciprocal adjustments by both the business and the IT organisation.

In its simplest form, the BIMM is an S-shaped learning curve – the business learning to exploit technology and the IT organisation learning to become efficient and effective in delivering IT services and, especially as maturity increases, shaping business demand. Business executives often find the BIMM’s simple elegance appealing. They quickly grasp the concepts behind business demand maturity for IT and are able to use the model to analyse how their demand maturity is evolving over time. This equips them to engage in
meaningful dialogue with IT leadership about the business implications of both demand and supply maturity.

Figure 1 below depicts the basic three-level BIMM. Note that the number of levels is arbitrary. We occasionally use a five-level model, which can be useful with its finer grained approach, but the simplicity of the three-level model works well for most purposes and avoids ‘false precision.’

![Figure 1: Business-IT Maturity Model](image)

To the left of the S-curve are the characteristics of business demand at each of three levels. To the right are the corresponding goals of IT supply. It is important to recognise this is a developmental model. As such, it is cumulative – the demand at lower levels never goes away – the business always wants ‘the lights kept on,’ (a Level 1 demand). An IT organisation that fails to supply against this demand will lack credibility and wherewithal to move up the maturity curve. As business demand matures to Level 2, for example, Level 1 demand for efficiency does not go away – it becomes a fundamental expectation – ‘tables stakes’.

Level 1 business demand is typically generated from functional and geographic silos – often much to the frustration of IT leaders, who are able to look across the enterprise and see many opportunities for cross-functional processes and collaboration, but are unable to ‘sell’ such concepts. Level 1 demand is primarily for foundational transaction processing solutions and operational data – all with an overarching goal of reducing the costs of doing business. Level 1 supply, in addition to satisfying business demand, focuses on the basic ‘blocking and tackling’ of IT management – for example, project management and stable IT operations.

Level 2 demand (which is additive to Level 1 demand) tackles enterprise integration and consolidated management information. Level 2 supply is focused on deploying a common infrastructure and enterprise systems implementation. Level 2 supply also focuses on ‘IT as a business’ with attention to portfolio management, service management and getting faster at delivering solutions.

Level 3 demand (which is additive to Level 1 and 2 demand) typically addresses IT-enabled business growth and innovation. It tends to be much more externally focused than Level 1 and 2, interested in business intelligence, rapid experimentation and collaboration – both with other business units and with customers and suppliers.
The model and its application are further described in part 2 and part 3.

I welcome your thoughts.

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