4. IT /Business Alignment.
Learning objectives

† Be familiar with the concept of strategic IT alignment.
† Understand the complexity of business and IT alignment.
† Remember the known issues of business and IT alignment.
† Recognise the importance of business and IT alignment.
† Understand SAMM and know its highlights.
1. Definitions
2. Known issues
3. Importance
4. Models
5. SAMM Model (Luftmann, 2004)
6. Alignment Process (Luftmann & Brier, 1999)
7. Avenues of research
8. References
1. Definitions. Business–IT alignment

- Business–IT alignment refers to applying Information Technology (IT) in an appropriate and timely way, in harmony with business strategies, goals and needs (Luftman, 2000).

- This definition of alignment addresses:
  1. How IT is aligned with the business.
  2. How the business should or could be aligned with IT.

- Optimized synchronization between dynamic business objectives/processes and respective technological services provided by IT (Ullah & Lai, 2013).

- Linkages between business and IT at the strategic or planning level, which is the degree to which the IT mission, objectives, and plans support, and are supported by, the business mission, objectives, and plan (Chan & Reich, 2007).
2. Known issues

- Lack of descriptive and prescriptive methodologies to address it (until recently).
- Differences in objectives.
- Rigid organizational structure and culture.
- Communication gap…
- How to measure alignment.
- CIO role… I will need another slide (and another book) to that.
2. Known issues

† CIO role:

† Unknown role.
† Business competence.
† Officer in new organizations (right).

Cio´s functions (Anderson, 2006).

• Key role in strategy definition.
• ICT strategy should be devoted to bring value to the organization.
• ICT Manager
• Process improver
• Internal ICT Consultant.
3. Importance.

There is evidence that IT and business alignment do have an impact on organizational performance (Khaiata & Zualkernan, 2009).

IT Business alignment (Tallon & Kraemer, 2007):
- Maximize the ROI of IT.
- Helping to identify the true value of IT.
- Helping to improve IT usage.
4. Models

- Strategic Alignment Model (SAM) (Henderson & Venkatraman, 1993).
- Strategy Alignment Maturity Model (SAMM) (Luftman, 2004).
5. SAMM Model (Luftmann, 2004)

IT-Business alignment can be captured according to six areas of maturity:

- **Communication maturity** to ensure the ongoing knowledge sharing across the organization and the understanding of business by IT and vice versa;
- **Competency / Value measurement maturity** to demonstrate the value IT is contributing to the business;
- **Governance maturity** to ensure that the appropriate participants of business and IT are reviewing the priorities and allocation of IT resources;
- **Partnership maturity** to reflect the level of trust developed among participants of IT and business in sharing risk and rewards;
- **Scope and architecture maturity** to signify the level of flexibility and transparency the IT is providing to business;
- **Skills maturity** to reflect the level of innovation, change readiness, hiring and retaining, and how they are contributing to the overall organizational effectiveness.
5. SAMM Model (Luftmann, 2004)

For each of these areas, this maturity model classifies the alignment between business and IT into five levels:

1. Initial / Ad hoc process, where business and IT are not harmonized or aligned;
2. Committed process, where the organization has committed to becoming aligned with IT;
3. Established / Focused process, where the alignment is established between IT and business and focused on business objectives;
4. Improved / Managed process, where the concept of IT as a “Value Center” is reinforced;
5. Optimized process, where the strategic planning of business and IT.
5. SAMM Model (Luftmann, 2004)

Summary:

Level 1: Initial/Ad Hoc process
- Communications: Business/IT lack understanding
- Competency/Value: Some technical measurements
- Governance: No formal process, cost center, reactive priorities
- Partnership: Conflict, IT a cost of doing business
- Scope & Architecture: Traditional (e.g., accmg, emal)
- Skills: IT takes risk, little reward, Technical training

Level 2: Committed process
- Communications: Limited business/IT understanding
- Competency/Value: Functional cost efficiency
- Governance: Tactical at functional level, occasional responsive
- Partnership: IT emerging as an asset, Process-able
- Scope & Architecture: Transaction (e.g., ESS, DSS)
- Skills: Differs across functional organizations

Level 3: Established process
- Communications: Good understanding, Emerging relaxed
- Competency/Value: Some cost effectiveness, Dashboard established
- Governance: Relevant process across the organization
- Partnership: IT seen as an asset, Process driven, Conflict seen as creative
- Scope & Architecture: Integrated across the organization
- Skills: Shared risk & reward

Level 4: Improved/Managed process
- Communications: Bonding, unified
- Competency/Value: Cost effective, Some partner value, Dashboard managed
- Governance: Managed across the organization
- Partnership: IT enable/driver, business strategy
- Scope & Architecture: Integrated with partners
- Skills: Education/career/rewards across the organization

Level 5: Optimized process
- Communications: Informal, pervasive
- Competency/Value: Extended to external partners
- Governance: Integrated across the org & partners
- Partnership: IT-business co-adaptive/improvisational
- Scope & Architecture: Evolve with partners
- Skills: Education/career/rewards across the organization
6. Alignment Process (Luftmann & Brier, 1999)

1. Set the goals and establish a team.
   1. Managers as Sponsors
   2. Team including functional departments
   3. Evaluate maturity

2. Understand the business-IT linkage

3. Analyze and prioritize gaps.

4. Specify the actions
   1. with clearly defined deliverables,
   2. ownership,
   3. timeframes,
   4. resources,
   5. risks,
   6. measurements to each of the prioritized gaps.

5. Choose and evaluate success criteria.

6. Sustain alignment (alignment behaviour).
7. Avenues of research.

† Functional Areas
† Specific kind of organizations
† Mixed role of IT (marketing, communication,…)
† Education
8. References

4. IT /Business Alignment.

Advanced Topics in Information Systems

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