

# DEMYSTIFYING BUSINESS IT ALIGNMENT

**Baljit Singh Sidhu**

MBA, PMP, ITIL

reachbaljit@yahoo.com

Pune

**Abstract --** As Indian industry aspires for an eminent spot in global stakes, the role of IT as a driver of these aspirations has become extremely central. Optimum leverage of IT is paramount to achieve this objective and this can be realized only if processes of IT and business are in harmony.

There are multiple reasons why organizations should align IT with Business, like cost reduction, productivity enhancement, implementation of new business strategies, to gain competitive advantage etc. Several case studies have also brought forth how significant cost and performance efficiencies have been achieved by organizations by achieving business IT alignment.

There are numerous studies and articles available in the public domain but Business IT Alignment still remains a complex problem for the industry with no standard solution. For over a couple of decades IT alignment has been a top concern with IT practitioners and industry executives. Research reveals that Business IT Alignment is a topic frequently seen in the Top Ten of IT Management issues worldwide.

This paper aims to contribute to the understanding of the alignment challenge

by providing an overview of the development of Business and IT Alignment.

**Keywords:** Business IT Alignment, cost reduction, productivity enhancement, competitive edge, performance efficiencies.

## I. INTRODUCTION

Information technology has changed the way companies organize their business processes, communicate with their customers and business partners, and deliver services. A key factor for a successful company is an effective and efficient alignment of the way IT supports business strategies and processes.

The alignment of the information technology and business strategy is a continuing activity for most contemporary organisations. As Luftman (2003) mentions, "Alignment is the perennial business chart-topper on top-ten lists of IT issues" [1]. Further, Ward and Peppard (2002) provide additional detail regarding the drivers behind alignment's chart-topping status. The necessity to improve return on investments, coupled with the high risk potential of investing very substantial sums unwisely, have long been key objectives for developing a strategy for IS/IT [2].

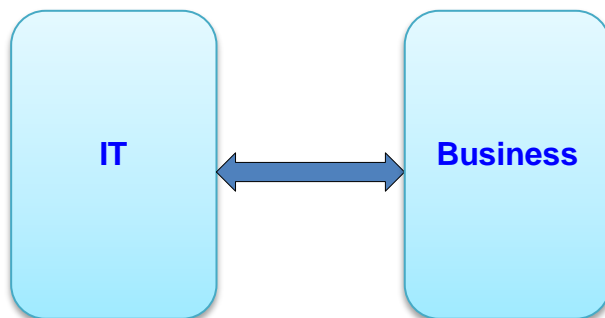
The annual survey of top management concerns by the Society for Information Management ([www.simnet.org](http://www.simnet.org)) repeatedly ranked "IT and Business alignment" as the no.

1 several times in the last decade. And for the years that it wasn't at the top spot, alignment ranked as the no. 2 concern.

Innumerable articles and studies have examined the necessity and desirability of aligning business needs and IT capabilities and its importance is too well recognized. Therefore alignment between business needs and IT capabilities is a prominent area of concern. After many years of research into Business and IT Alignment (BITA), Chan and Reich (2007) have listed over 150 such studies vindicating that the prominent position of BITA as one of the top concerns, should not be surprising. A survey of relevant literature suggests that academic research has not been able to provide solutions to the issues business and IT executives face in practice. Some challenges that practitioners face are not addressed in academic literature.

## II. THE BUSINESS IT ALIGNMENT CONCEPT

Conceptually the Business-IT alignment paradigm looks very simple as depicted below.



Business-IT alignment involves optimizing communication between executives who make the business decisions and IT managers who oversee the technical operations. The

implementation of flexible business plans and IT architectures, as well as effective cost allocation, are critical components of any business-IT alignment effort [3].

This concept of alignment is quite in contrast to what we often experience in organizations. IT and business professionals usually fail to bridge the gap between themselves because of differences in their objectives, culture, and incentives and ignorance of each other's function. This rift generally results in expensive IT systems that do not provide adequate return on investment. This is the reason that the quest for Business IT Alignment is closely associated with attempts to improve the business value of IT investments. It is not unusual for business and IT professionals within an organization to experience conflict and in-fighting as lack of mutual understanding and the failure to produce desired results leads to blaming and mistrust. The search for BITA often includes efforts to establish trust between these two groups and a mechanism for consensus decision-making. To achieve BITA, organizations must make better decisions that take into account both business and IT disciplines.

Establishing processes for decision-making and control is essentially what is termed as 'governance' and BITA is closely related to IT governance. Business/IT Alignment, like governance, is a journey, not a destination. It takes many small things to make it a success, and not one big thing. Business/IT Alignment is a major component of IT Governance [4].

As per often cited definition by IT Governance Institute "IT governance is the responsibility of the board of directors and executive management. It is an integral part of enterprise governance and consists of the

leadership and organizational structures and processes that ensure that the organisation's IT sustains and extends the organisation's strategies and objectives". Also related to the effort for better decision-making, and therefore often part of BITA is the area of IT portfolio management, which has to do with decisions about which IT projects are funded and which are not. Ultimately, value must come not just from the IT tools that are selected, but also in the way that they are used in the organization. For this reason, the scope of BITA also includes business transformation, in which organizations redesign how work is accomplished in order to realize efficiencies made possible by new IT. Thus, implementing IT to achieve its full potential for business value includes not only a technical component, but also an organizational change management component.

Several models of alignment have been proposed. Chan and Huff's Conceptual Model depicts IS strategic alignment as the result of the fit between IS and business strategies in organizations. The resulting IS strategic alignment is shown as having a direct impact on both business performance and IS effectiveness. This model is displayed in Figure 1 here [5].



Figure 1: Chan and Huff's Conceptual Model

*of IS Strategic Alignment*

Reich and Benbasat [6] proposed four potential social dimensions that may affect alignment: the shared domain knowledge of business and IT executives, the communications between those executives, the success of IT implementation, and

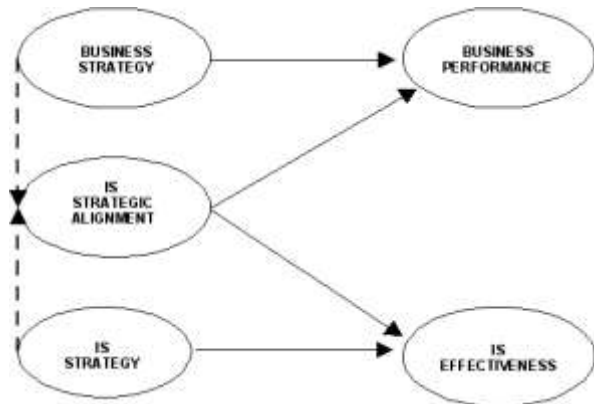


Figure 2: Conceptual Model of Strategic Alignment

### III. BUSINESS IT ALIGNMENT APPROACHES

There are several approaches that can be taken to align IT with business. Some approaches focus on the roles of individual IT contributors, while others focus on the needs of the business side and their position in the market. It is up to CIOs to identify key business needs and turn these needs into objectives that their IT organizations must achieve. CIOs also have the responsibility to build organizations that can deliver the right support to various project portfolios [7].

Based on the initiatives studied and undertaken here we summarize an approach that helps in achieving effective business IT

alignment;

### 1. Assess enablers and inhibitors considering all focus areas.

‘Enablers’ and ‘Inhibitors’ is the terminology attributed to Jerry Luftman. Before actually getting down to defining the process we must identify those conditions in the organisation that could hamper or aid the efforts on business IT alignment. This will eventually help while formulating successful strategy. As per Communications of AIS The most important are [8];

ENABLERS	INHIBITORS
Senior executive support for IT	IT/business lack close relationships
IT involved in strategy development	IT does not prioritize well
IT understands the business	IT fails to meet its commitments
Business - IT partnership	IT does not understand business
Well-prioritized IT projects	Senior executives do not support IT
IT demonstrates leadership	IT management lacks leadership

It is important for the IT strategists to understand what works and what doesn't while chalking out their plans.

### 2. Get buy-in from the stakeholders.

Once the CIO has firmed up his resolve to achieve alignment the next step would be to obtain buy-in from;

**Business stakeholders:** Includes CEO, Business Heads and other peers from business side.

**IT members:** Pick up the best of the lot

suitable to achieve this objective.

Once these stakeholders are on board, the CIO should use them to sell business IT alignment initiative to fellows in the respective departments.

### 3. Develop the strategy.

- *Quick and early wins:* To build momentum and credibility going for minimum risk plans is always a better idea. With this approach benefits are realized slowly but gradually.
- *Aggressive assault:* This involves approaching the task in an aggressive manner and therefore it will carry more risks. It also helps in buying acceptance and negotiating resistance more rapidly.
- *Mixed approach:* This approach combines elements of both the above strategies. But it tends to send mixed signals to the stakeholder and therefore not considered too effective.

### 4. Enhance/set-up Governance processes.

Set-up consistent and repeatable PMO, project governance and service level agreement processes. Incorporate best practices and methodologies such as ITIL, CMM, COBIT, MOF etc. Also deploy efficient and integrated tools to assist. This will reduce efforts.

Of course the team needs to be sufficiently trained in the use of these processes and tools to derive maximum value out of these.

### 5. Recognize and reward.

This effort being people intensive it must be incentivized.

Establishing a high degree of ITBA can be difficult, but success provides value for the business and credibility for IT. Although these benefits motivate most CIOs, the benefits may

not be sufficient motivation for everyone. The CIO should engage with the Human Resource department to work out some meaningful, monetary incentives for the people directly involved in the endeavor's success.

Along with monetary incentives, these people could be awarded with career recognitions.

#### 6. Set performance measurement parameters.

All the measurement parameters must be in a language understood by business. Set SMART- Specific, Measurable, Achievable, Realistic, and Timely goals. Recognize the people who have contributed in the success of the effort in a public forum.

#### 7. Deal with political cliques.

CIOs must be tactful and resourceful and dealing with the critics of their well-meaning endeavor. The moment they sense such an issue, they should take it head on and remove it quickly before it impacts or derails the effort. Such barriers can be removed by cultivating allies and supporters.

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Figure 3: Linking it Together

### IV. CRITICAL SUCCESS FACTORS FOR BUSINESS IT ALIGNMENT

There are several factors that contribute towards an effective Business IT Alignment. Some of them are enumerated hereunder;

- **Executive Steering Committee:** This group comprises of top management in the IT/Business planning process to establish overall IT direction, investment priorities and address enterprise wide issues.
- **Unambiguous IT Charter:** This is essential to facilitate an effective and definitive interaction between IT and the business groups.
- **Strategic Planning:** Develop a strategic IT plan that is an integral part of the strategic business plan. Having a clear corporate plan as a guide for IT planning is very important. Also, top management must actively engage in IT planning.
- **Tactical Planning:** Yearly and near term IT objectives, programs are established and the resources to accomplish the objectives are identified/allocated.
- **Program Management Office [PMO]:** This entity establishes the processes, tools and IT/Business unit roles responsibilities for program and project management.
- **Processes to measure Performance:** There must be well-defined parameters to monitor planned outcomes of an initiative.
- **Clearly defined and effective roles and responsibilities:** There must be teams established from IT/Business side and steering and governance committees with specific roles and decision rights in the day-to-day implementation and service management of the IT initiatives.
- **Management of expectations:** Both Business and IT functions should be realistic about their expectations from each other. This can be achieved through the two



mentioned success factors: communication and requirements. Business side should know the limitations of IT in terms of resource availability, skills required and associated cost etc. Similarly IT should be aware of the technical knowledgebase and financial constraints of the business side.

- **Open, clear and transparent communication between IT & Business:** IT and business functions should set up a communication system actively involving all stakeholders. This helps IT to receive feedback from the business side and thereby formulate the best possible solutions. Also, through open communication with their technical counterparts business decision-makers can familiarize themselves and take advantage of the available technical knowledgebase for better organizational and market performance.
- **Budgeting and Charge-Back:** Budgets and expenditures are established and monitored. An effective involvement and ownership can be induced if IT expenses are charged back to the business.
- **Measures for business value of IT:** Well-defined parameters to measure value that IT provides in support of the Business are required. Examples could be; cost reduction, competitive advantage, speed to market, growth in revenue, business continuity etc.
- **Consistent Business-IT engagement:** At both formal and informal levels platform/forums should be established for a customer focused relationship to exchange ideas and feedbacks. This goes a long way in building trust between IT and the business.
- **Adherence of well-defined Governance structure:** Adoption of best practice

governance standards and flexible guidelines to describe and document IT processes, policies and procedures. IT performance should be evaluated using balanced scorecard metrics for each component of the IT governance process.

- **Recognizing organizational protocols:** Communication protocols impact the quality and success of business IT alignment. Traditionally in most organisations it means the way to get things done by navigating through layers of bureaucracy while identifying key personnel who can act as ambassadors for the cause, understand and articulate the justifications for IT projects as business strategies. CIOs should find such people to champion their causes.

## V. CONCLUSIONS

The challenge of aligning IT to business needs remains an important factor for most organizations. For most CIOs the idea of closely aligned business and IT remains just a dream. This is because, historically, IT has been delivering technology while the business is the consumer of these services. The key to the realization of this dream is to try and transform IT from a cost-center that is only a technology provider to a strategic business unit, and enabling it to provide high-quality services to internal and external customers. The idea is to visualize and run IT as a business in itself.

There are several issues that the CIOs need to tackle in order to achieve optimum level of business IT alignment. These issues fall under the realm of technology, people and even processes. Organizational culture too has a major impact on the success of business IT alignment exercise.

The role of IT is becoming more critical to the core of every important business. The need for aligning IT and business strategies and minimizing the risks and optimizing the use of IT is becoming the priority of most organizations. Strategic Alignment Model is a framework that can be used for achieving this alignment in order to make sure that innovation, extension of knowledge and using of available opportunities can be easily used for competitive advantage. In the holistic view over any business the IT should appear as a strong and reliable pillar that supports and enables the business and it is ready to align with dynamic business changes almost seamlessly and smoothly.

The fact that this issue is a perennial contender for inclusion on lists of top management problems for high-level IT managers dictates the need for further study, particularly in an effort to uncover additional factors contributing to the problem [9].

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