Information System Strategy and IT Governance

ITC 4212

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IT Strategic Alignment and Maturity

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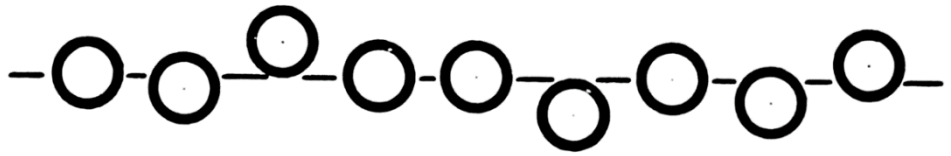

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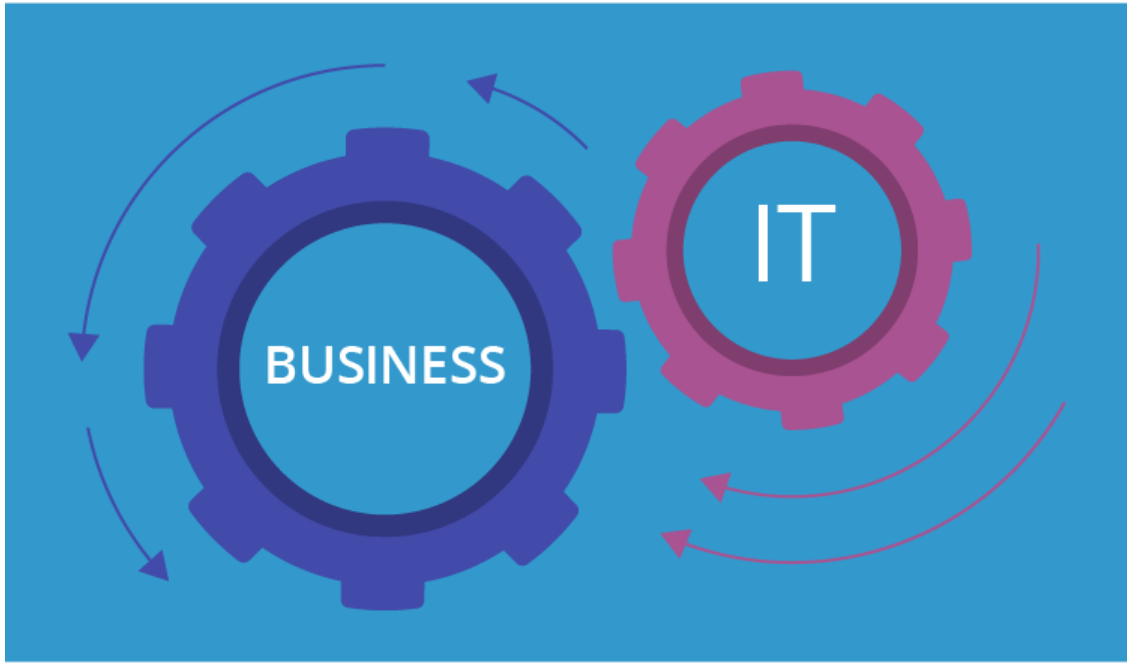


Alignment is defined as parts of something that are in the proper position relative to each other.

IT Strategic Alignment – Definition

Applying IT in an appropriate and timely way, in harmony with business strategies, goals and needs. It is still a fundamental concern of business executives

the process of ensuring that an organization's IT initiatives and resources are strategically aligned with its overall business goals and objectives, fostering better decision-making and resource allocation.

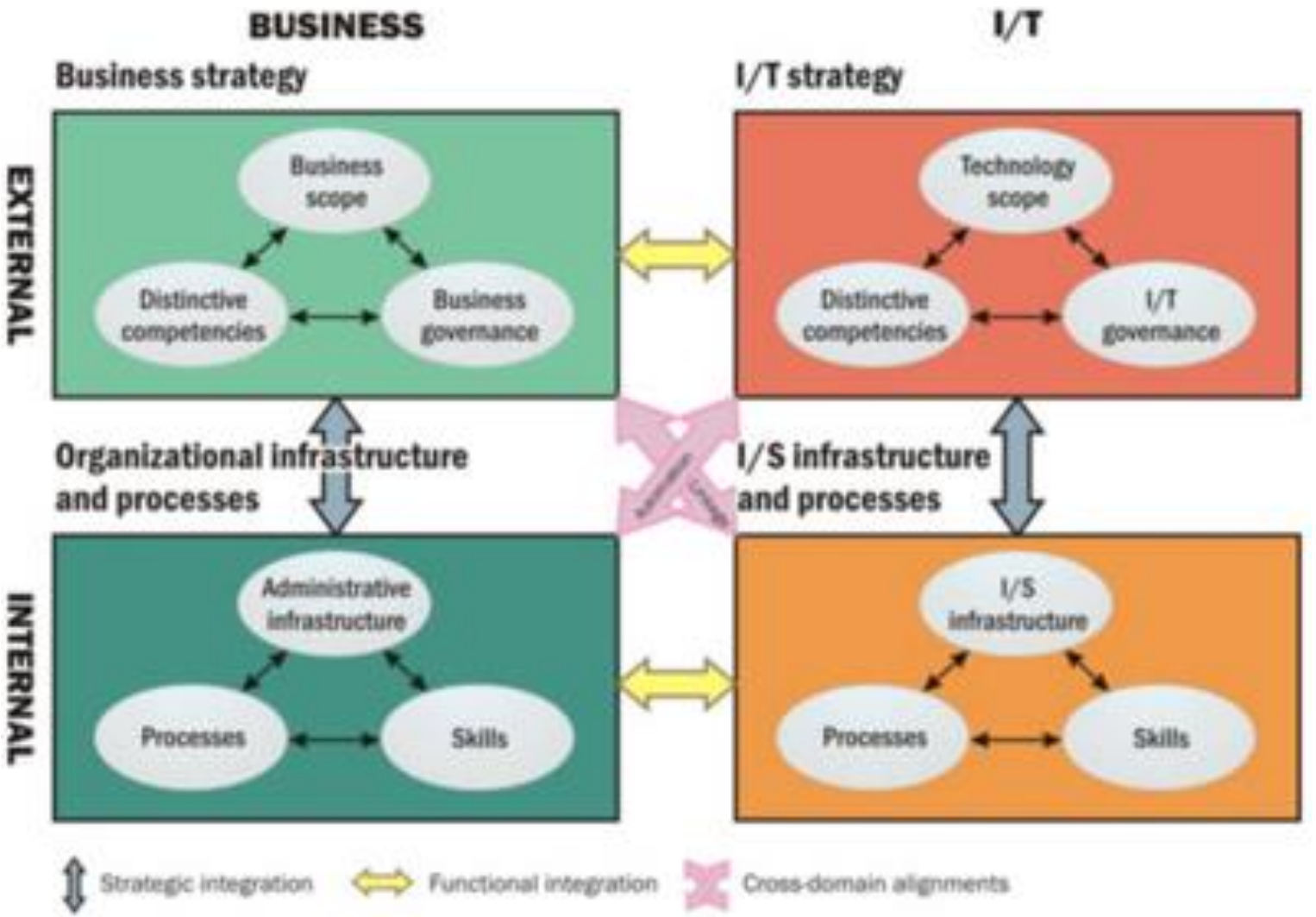
Concerns

- How IT is aligned with the business and how the business should or could be aligned with IT.
- IT-business alignment is a construct that can help organizations improve the positive impact of IT on organizational success

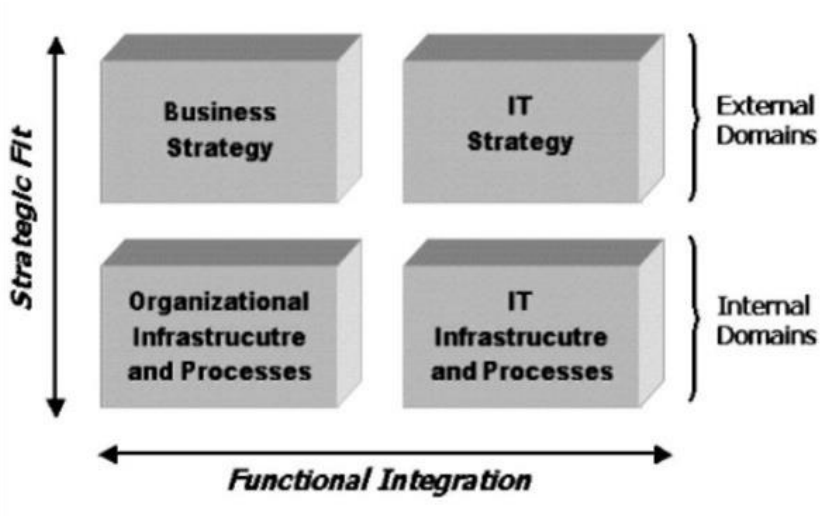
IT Strategic Alignment Models

- The Strategic Alignment Model (SAM) proposed by Henderson & Venkatraman (1990) is composed of four quadrants.
- Each quadrant is composed with 3 components. These components determine the extent of the organisation's IT alignment.
- The four quadrants are divided into two areas namely business and information technology

The Strategic Alignment Model (SAM) proposed by Henderson & Venkatraman



Henderson and Venkatraman's Strategic Alignment Model for business (1989)



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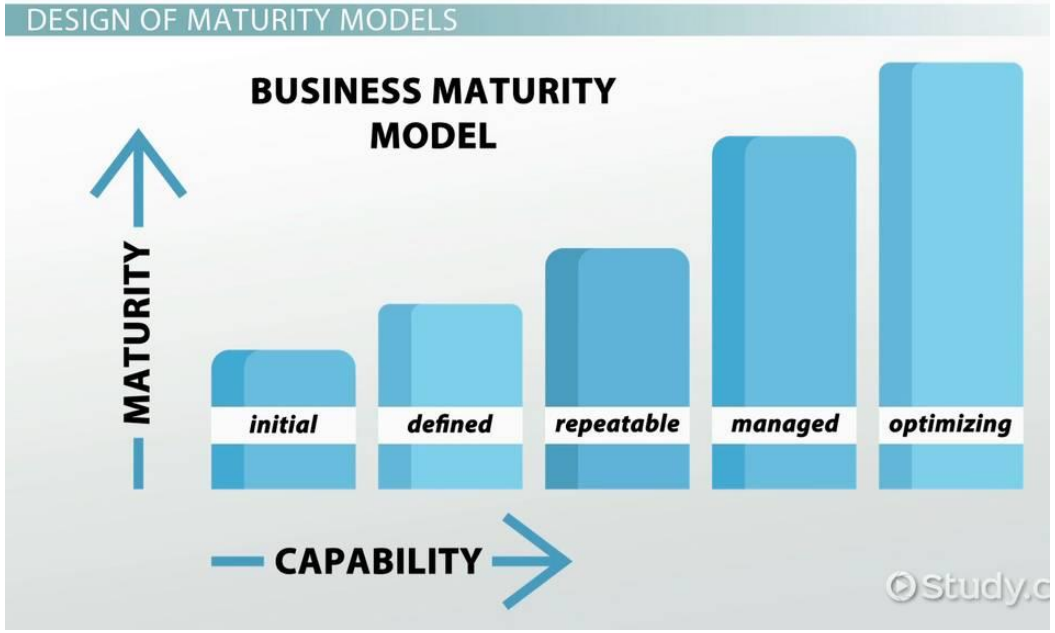
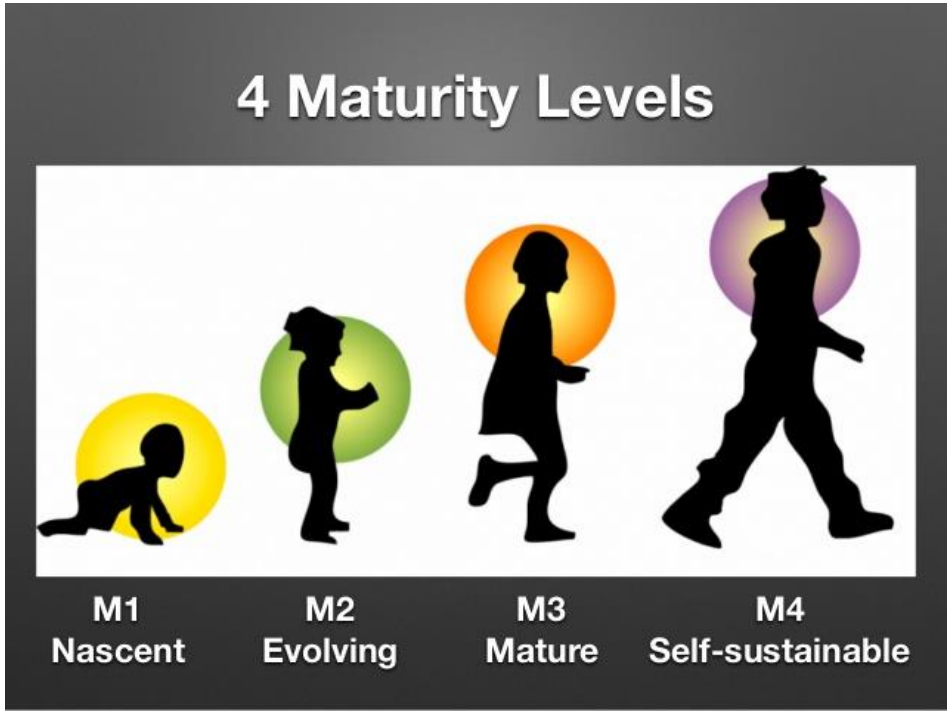
What is Maturity?

Maturity

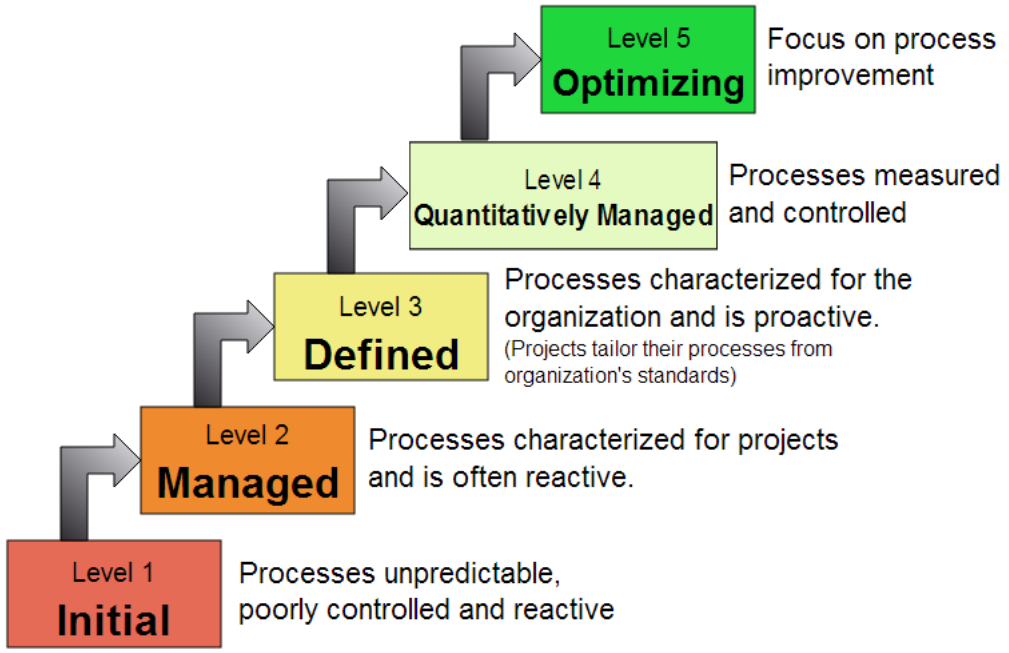
It doesnt always come with age, infact its deeper than age. It's about the way you see and understand things. The way you consider others. The way you communicate. The way you react. The things you value. The things you entertain. The way you represent yourself and others as an adult.

Everyone grows old, but not everyone is growing up.





Characteristics of the Maturity levels



IT governance maturity

- To have effective IT governance, organizations need to assess **how well they currently perform** **and** **what is to be done to improve their current status**
- IT maturity models propose **a** **set of metrics for determining the IT governance maturity** level of an organization.
- **The maturity level focuses on the strategic alignment of IT with other functions**.

IT Strategic Alignment Maturity Model (SAMM)

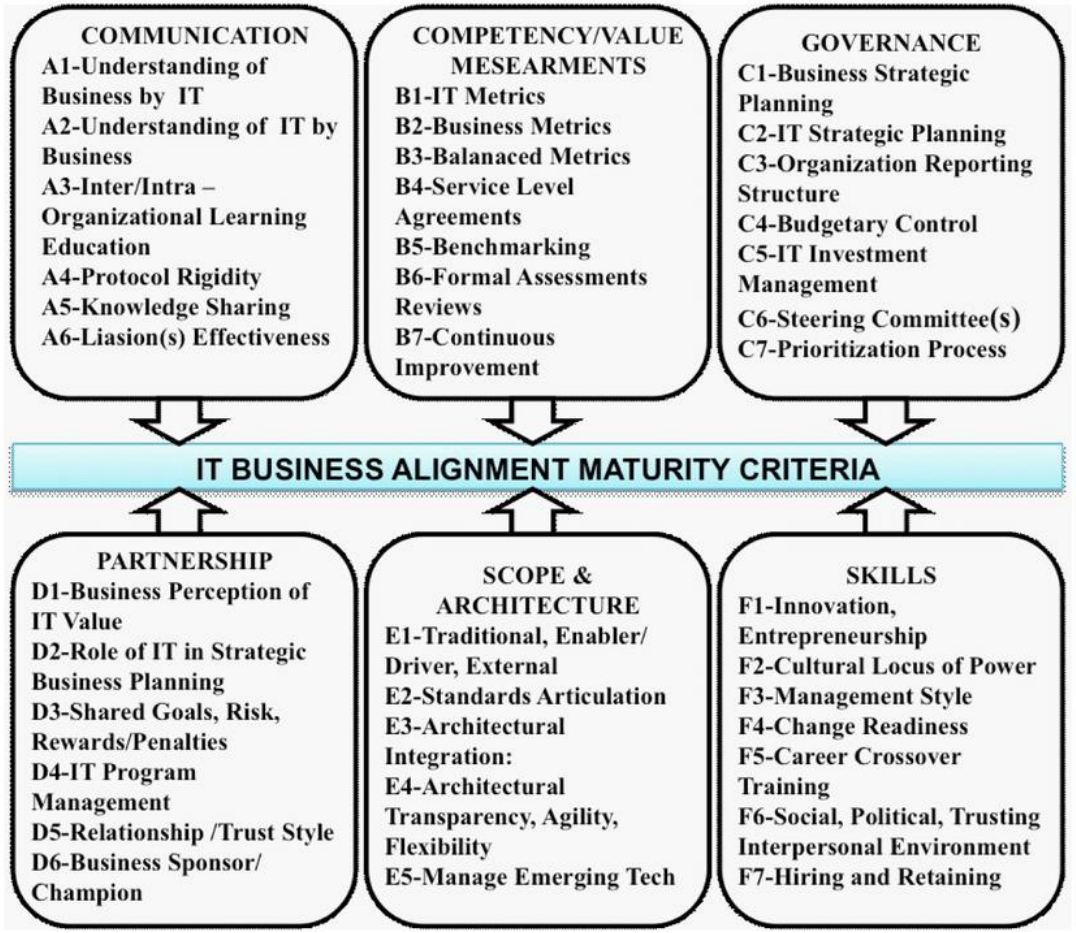
- **Luftman** (2000) developed a tool to measure **strategic alignment** based on the maturity **model** which covers six different areas:
  (1) Communication
  (2) Competence/value
  (3) Management Governance
  (4) Partnership
  (5) Technological environment Scope and Architecture
  (6) The maturity of skills.

- The framework is partly based on the strategic alignment model of Henderson & Venkatraman (1993) was proposed after doing a study based on 25 fortune 500 firms.

Luftman (2000) has introduced six components for assessing alignment maturity in organizations.

Components and Levels for Assessing Alignment Maturity

- **Communications:** This is to measure the **effectiveness of understanding of the business and IT**.
  - Understanding of business by IT, understanding of IT by business, inter and intra organizational communication, learning, protocol/procedure rigidity, knowledge sharing, and liaison effectiveness are some of the components considered under communications.
- **Competence/Value Measurements**: The contribution **of IT to the organization's** business is defined as value.
  - IT metrics, business metrics, balanced metrics, service level agreements, benchmarking, formal assessments/reviews, and continuous improvements are some of the factors to be considered in the 'Competence/Value Measurements' aspects.



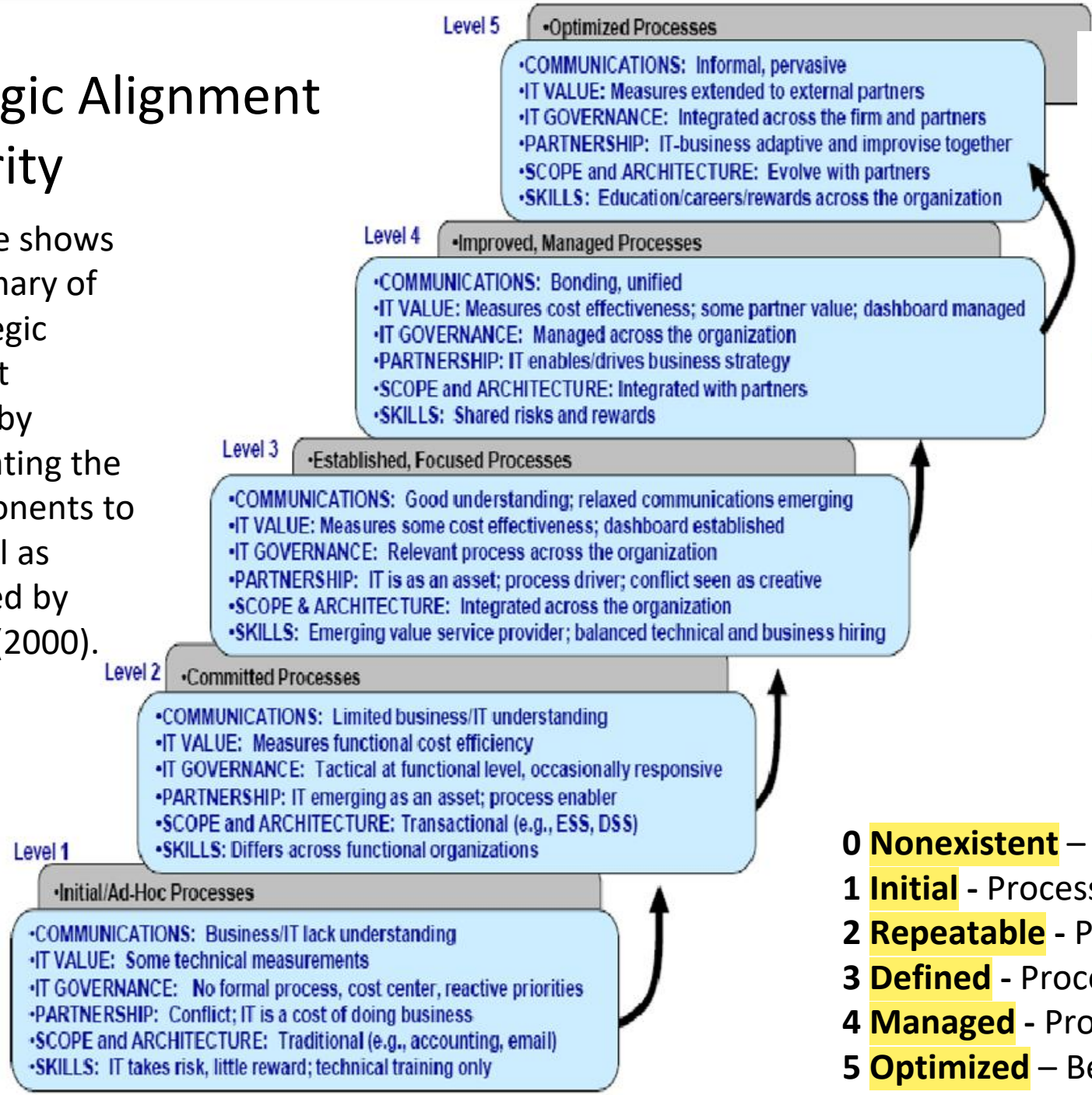
- **Governance:** In **order to assure the alignment of IT strategies and organizational strategies**, who has to take the decision is considered as governance.
  - Business strategic planning, IT strategic planning, reporting structure, budgetary control, IT investment management and prioritization of processes are some of the aspects to be considered in governance.

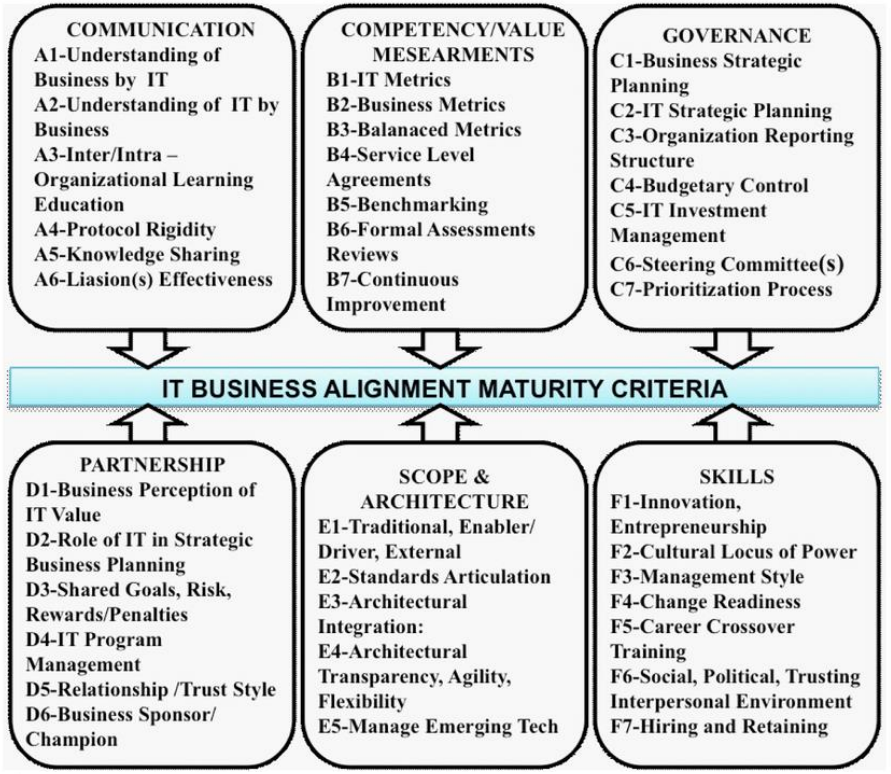
- **Partnership:** This defines **the relationship between the organization and IT**.
  - Business perception of IT value, role of IT in strategic planning, IT programme management, relationship or trust style are some of the concerns in the aspects of partnership.
- **Scope and architecture:** The **IT infrastructure of the organisation and its capacity to meet the present and future requirements** as per the strategic directions of the organisation is defined as the scope and the architecture.
  - Architectural integration, transparency and flexibility to managing emerging technologies are considered in the aspects of scope and architecture.

- **Skills:** **How the human resources practices involve in the IT strategic alignment** is defined as skills.
  - Innovation, entrepreneurship, cultural locus of power, management style, change readiness, career crossover, education, cross training, social political, trusting environment are some of the aspects considered under the aspects of skills

Strategic Alignment Maturity

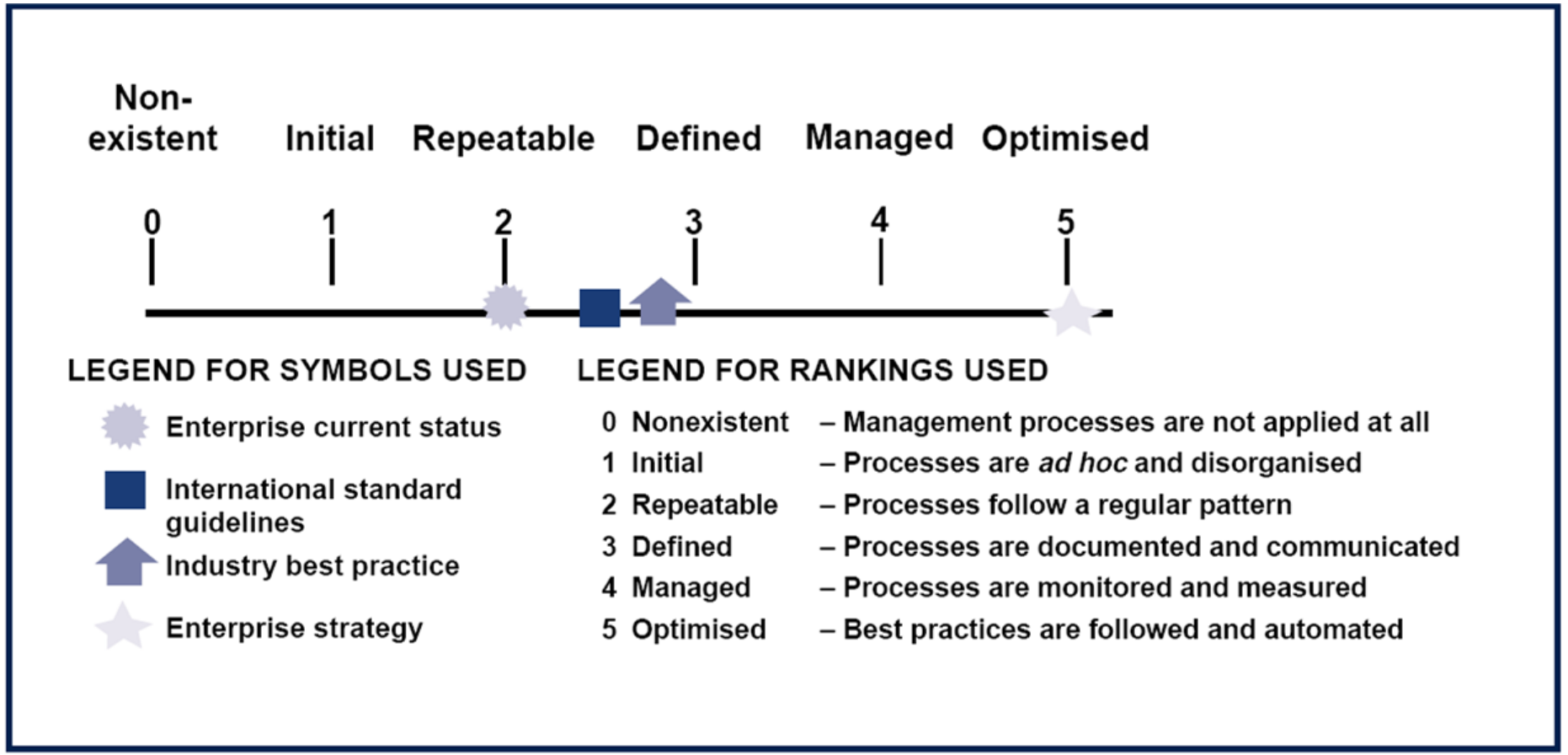
The figure shows the summary of the strategic alignment maturity by incorporating the six components to each level as introduced by Luftman (2000).



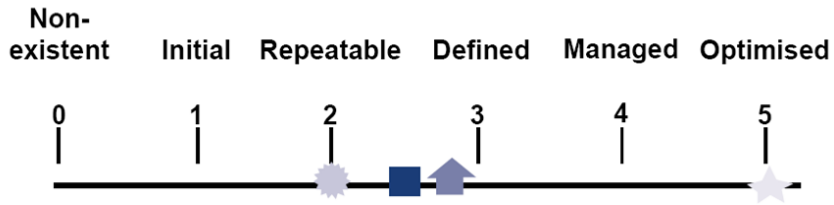


0 Nonexistent – Management processes are not applied at all
1 Initial - Processes are ad hoc and disorganized
2 Repeatable - Processes follow a regular pattern
3 Defined - Processes are documented and communicated
4 Managed - Processes are monitored and measured
5 Optimized – Best practices are followed and automated

IT maturity levels



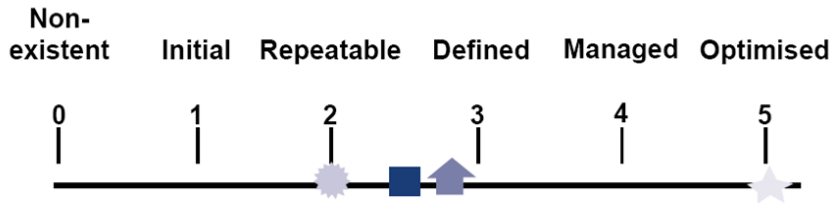
IT maturity levels



‘0’ Non-existent

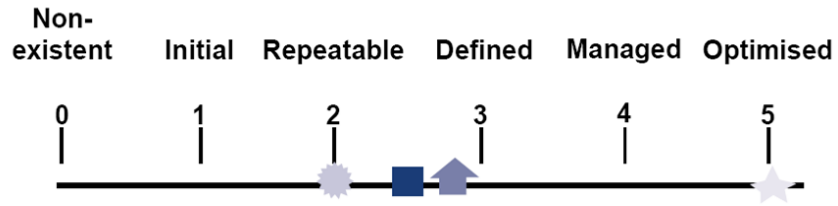
- Management processes are not applied at all
- At this level, there’s no involvement of the top management in IT related decisions

‘1’ Initial/Ad Hoc



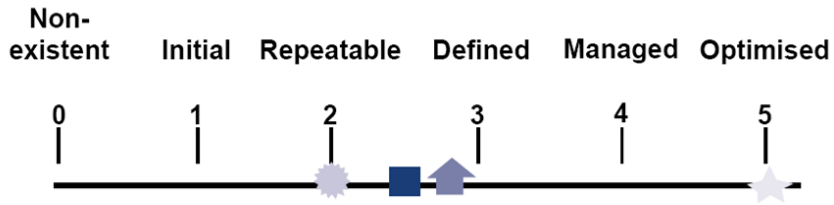
- The processes on good IT governance **do not follow formal procedures and occur in an ad-hoc manner.**
- IT matters are addressed on a case-by-case basis.
- The management of the IT is mainly driven through the IT staff and the involvement of the rest of the staff is very poor.
- The top management is involved only when major issues are to be addressed.
- The measurement of performance is limited to technical aspects business-level performance measurements are usually not considered

‘2’ Repeatable but intuitive



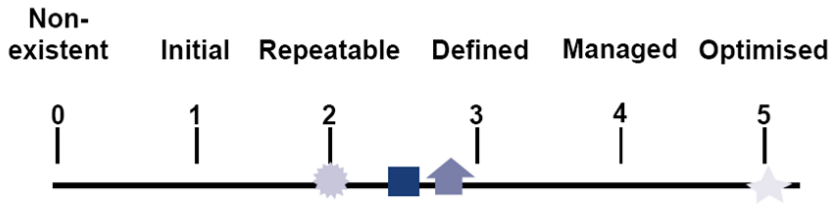
- Regular governance practices occur, but mostly dependent on the initiatives of the IT staff with voluntary or appointed key stakeholders.
- Problems are mainly handled by the project basis and teams exist to undertake improvements when necessary

‘3’ Defined process



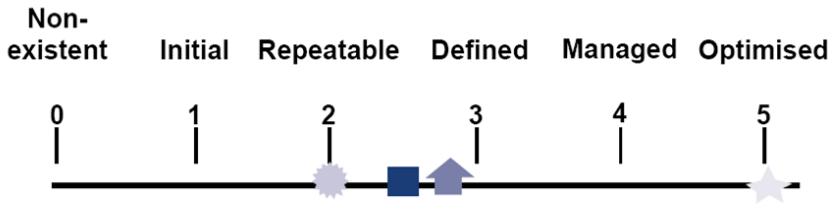
- An organizational and processes framework exists to oversight and manages IT in organisations as a step in the overall IT governance process.
- The board provides guidance for management and covering key governance activities.
- Processes which occur in ad-hoc manner at the previous maturity stages are now being institutionalized and the techniques followed are relatively simple.

‘4’ Managed and measurable



- IT process improvements are now **well understood** by the organisation.
- Targets for IT have been set as out comes in the overall business.
- Results of IT projects and developments are communicated to the top management in the form of balance scorecard.
- Enterprise management team and IT team are now working on a common platform in maximising IT value delivery and managing IT related risks

‘5’ Optimised



- When organizations are at the optimized stage **IT governance practices exist in the organization at a very sophisticated level**.
- IT activities are **transparen**t and the board of management has **confidence of the IT strategy**.
- IT activities are **well-focused on the organizational business priorities**.
- **IT values delivered to the organization can be measured and corrective measures are in place if any deviation has occurred.**
    - A method such as a balanced scorecard is available to measure the performance of IT.
- The **IT risk is well addressed** and certain processes have been automated. The organization receives o**ptimal value for the IT investments made and continuous internal process improvements**.

Important link

Information systems and strategic management

- https://www.slideshare.net/matthew.montebello/lecture-6-strategic-alignment-techniques


Q&A
Questions
Answers