Information System Strategy and IT Governance ITC 4212

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IT Strategic Alignment and Maturity



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Content

- IT strategic alignment
 - Introduction
 - Definition
 - Steps in achieving strategic alignment
- IT Strategic alignment models
 - Henderson and Venkatraman's model
 - IT strategic alignment based on maturity
- IT maturity levels

-O-O-O-O-O-O-Oin ALIGNMENT





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.

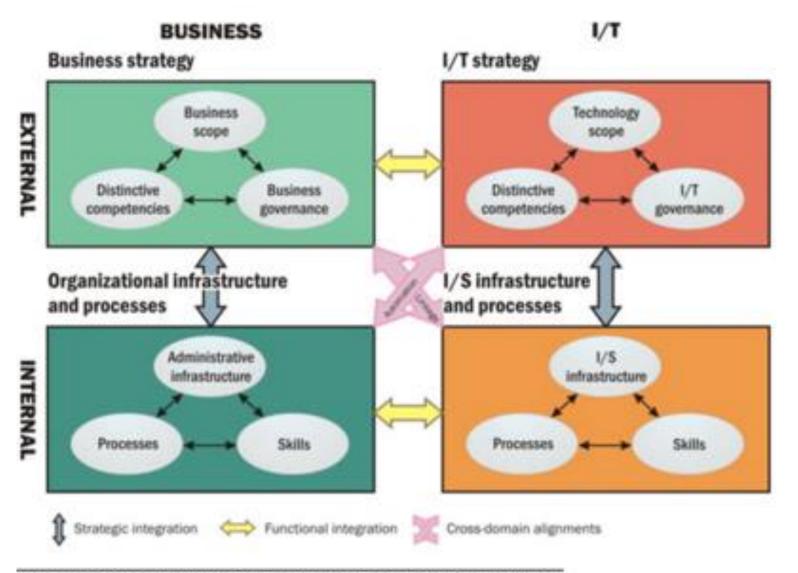
Concerns

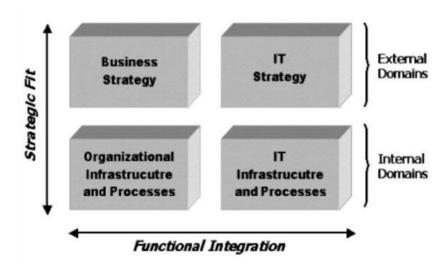
- How IT is aligned with the business and how the business should or could be aligned with IT.
- IT-business alignment is a construct that can help organizations improve the positive impact of IT on organizational success

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



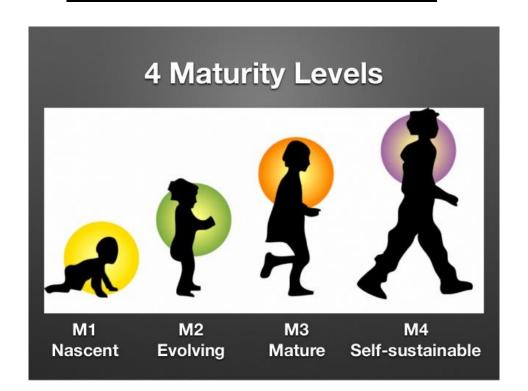


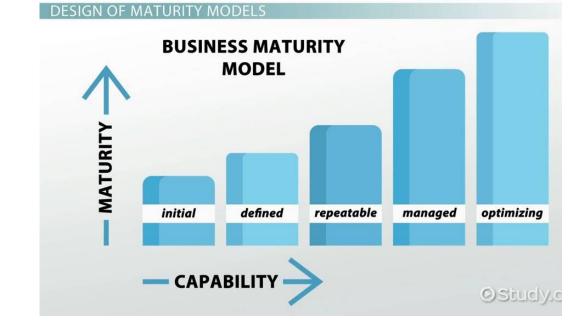
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MATURITY

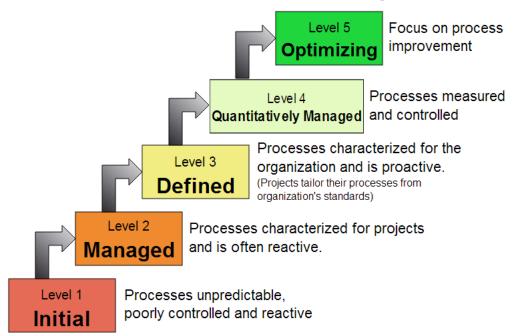
IT DOESNT ALWAYS COME WITH AGE,
INFACT ITS DEEPER THAN AGE.
IT'S ABOUT THE WAY YOU SEE AND
UNDERSTAND THINGS. THE WAY YOU
CONSIDER OTHERS. THE WAY YOU
COMMUNICATE. THE WAY YOU REACT.
THE THINGS YOU VALUE. THE THINGS
YOU ENTERTAIN. THE WAY YOU
REPRESENT YOURSELF AND OTHERS AS
AN ADULT.
EVERYONE GROWS 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.

COMMUNICATION

A1-Understanding of Business by IT

A2-Understanding of IT by Business

A3-Inter/Intra –

Organizational Learning

Education

A4-Protocol Rigidity

A5-Knowledge Sharing

A6-Liasion(s) Effectiveness

COMPETENCY/VALUE MESEARMENTS

B1-IT Metrics

B2-Business Metrics

B3-Balanaced Metrics

B4-Service Level

Agreements

B5-Benchmarking

B6-Formal Assessments

Reviews

B7-Continuous

Improvement

GOVERNANCE

C1-Business Strategic Planning

C2-IT Strategic Planning

C3-Organization Reporting

Structure

C4-Budgetary Control

C5-IT Investment

Management

C6-Steering Committee(s)

C7-Prioritization Process

IT BUSINESS ALIGNMENT MATURITY CRITERIA

PARTNERSHIP

D1-Business Perception of

IT Value

D2-Role of IT in Strategic

Business Planning

D3-Shared Goals, Risk,

Rewards/Penalties

D4-IT Program

Management

D5-Relationship /Trust Style

D6-Business Sponsor/

Champion

SCOPE & ARCHITECTURE

E1-Traditional, Enabler/

Driver, External

E2-Standards Articulation

E3-Architectural

Integration:

E4-Architectural

Transparency, Agility,

Flexibility

E5-Manage Emerging Tech

SKILLS

F1-Innovation,

Entrepreneurship

F2-Cultural Locus of Power

F3-Management Style

F4-Change Readiness

F5-Career Crossover

Training

F6-Social, Political, Trusting

Interpersonal Environment

F7-Hiring and Retaining

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).

Level 5 Optimized Processes COMMUNICATIONS: Informal, pervasive •IT VALUE: Measures extended to external partners •IT GOVERNANCE: Integrated across the firm and partners PARTNERSHIP: IT-business adaptive and improvise together SCOPE and ARCHITECTURE: Evolve with partners SKILLS: Education/careers/rewards across the organization Improved, Managed Processes COMMUNICATIONS: Bonding, unified IT VALUE: Measures cost effectiveness; some partner value; dashboard managed IT GOVERNANCE: Managed across the organization PARTNERSHIP: IT enables/drives business strategy SCOPE and ARCHITECTURE: Integrated with partners SKILLS: Shared risks and rewards ·Established, Focused Processes COMMUNICATIONS: Good understanding; relaxed communications emerging •IT VALUE: Measures some cost effectiveness: dashboard established •IT GOVERNANCE: Relevant process across the organization PARTNERSHIP: IT is as an asset; process driver; conflict seen as creative SCOPE & ARCHITECTURE: Integrated across the organization •SKILLS: Emerging value service provider; balanced technical and business hiring

COMMUNICATION

A1-Understanding of Business by IT

A2-Understanding of IT by Business

A3-Inter/Intra -

Organizational Learning Education

A4-Protocol Rigidity A5-Knowledge Sharing

A6-Liasion(s) Effectiveness

COMPETENCY/VALUI MESEARMENTS

B1-IT Metrics B2-Business Metrics

B3-Balanaced Metrics

B4-Service Level Agreements

B5-Benchmarking B6-Formal Assessments

B7-Continuous Improvement

Reviews

GOVERNANCE

C1-Business Strategic Planning

C2-IT Strategic Planning C3-Organization Reporting Structure

C4-Budgetary Control C5-IT Investment

Management C6-Steering Committee(s)

C7-Prioritization Process

IT BUSINESS ALIGNMENT MATURITY CRITERIA

PARTNERSHIP

D1-Business Perception of IT Value

D2-Role of IT in Strategic **Business Planning**

D3-Shared Goals, Risk,

Rewards/Penalties **D4-IT Program**

Management

D5-Relationship /Trust Style

D6-Business Sponsor/ Champion

SCOPE & ARCHITECTURE

E1-Traditional, Enabler/ Driver, External

E2-Standards Articulation E3-Architectural

Integration: E4-Architectural

Transparency, Agility, Flexibility

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SKILLS

F1-Innovation. Entrepreneurship F2-Cultural Locus of Power

F3-Management Style

F4-Change Readiness F5-Career Crossover

Training

F6-Social, Political, Trusting Interpersonal Environment

F7-Hiring and Retaining

Committed Processes

Level 3

- COMMUNICATIONS: Limited business/IT understanding
- IT VALUE: Measures functional cost efficiency
- •IT GOVERNANCE: Tactical at functional level, occasionally responsive
- PARTNERSHIP: IT emerging as an asset; process enabler
- SCOPE and ARCHITECTURE: Transactional (e.g., ESS, DSS)
- SKILLS: Differs across functional organizations

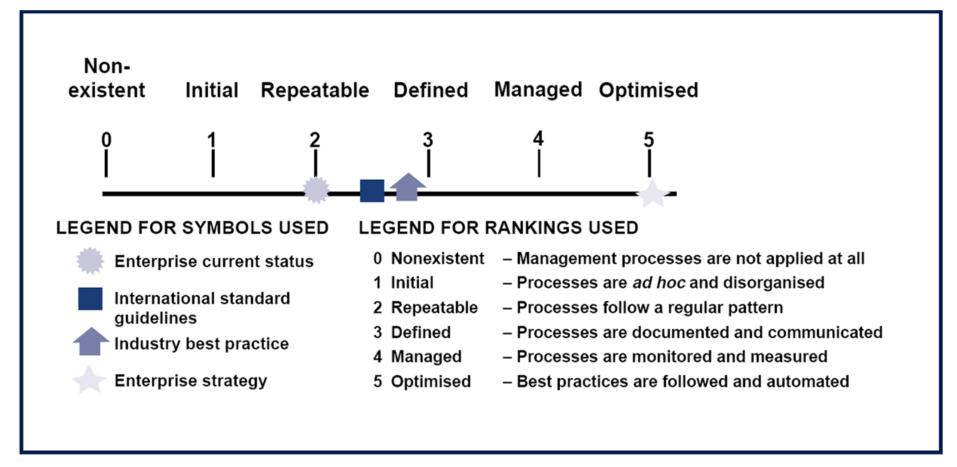
·Initial/Ad-Hoc Processes

Level 1

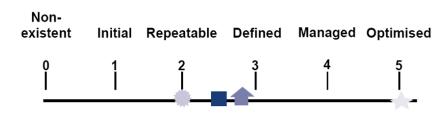
- COMMUNICATIONS: Business/IT lack understanding
- •IT VALUE: Some technical measurements
- •IT GOVERNANCE: No formal process, cost center, reactive priorities
- ·PARTNERSHIP: Conflict; IT is a cost of doing business
- SCOPE and ARCHITECTURE: Traditional (e.g., accounting, email)
- ·SKILLS: IT takes risk, little reward; technical training only

- **O 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



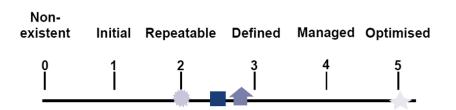
IT maturity levels



'0' Non-existent

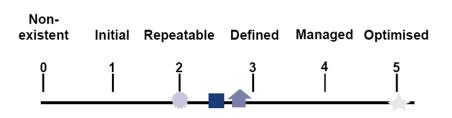
- Management processes are not applied at all
- At this level, there's no involvement of the top management in IT related decisions

'1' Initial/Ad Hoc



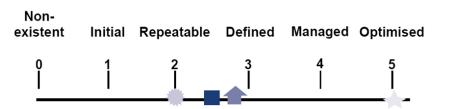
- The processes on good IT governance do not follow formal procedures and occur in an ad-hoc manner.
- IT matters are addressed on a case-by-case basis.
- The management of the IT is mainly driven through the IT staff and the involvement of the rest of the staff is very poor.
- The top management is 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



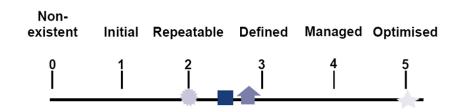
- Regular governance practices occur, but mostly dependent on the initiatives of the IT staff with voluntary or appointed key stakeholders.
- Problems are mainly handled by the project basis and teams exist to undertake improvements when necessary

'3' Defined process



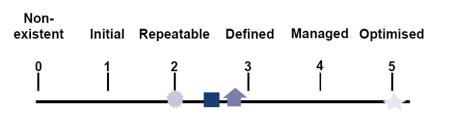
- An organizational and processes framework exists to oversight and manages IT in organisations as a step in the overall IT governance process.
- The board provides guidance for management and covering key governance activities.
- Processes which occur in ad-hoc manner at the previous maturity stages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

