



University of Dar es Salaam

Computing Centre



Strategic Management of ICT in the Public Sector (SMICT)

Module 4: Business and IT Alignment

*Manage IT as an Investment
and Not as a Cost!*

Introduction/IT Governance Foundation

IT Strategic
Planning

**Business/IT
Alignment**

IT Project
Management

IT Service
Management

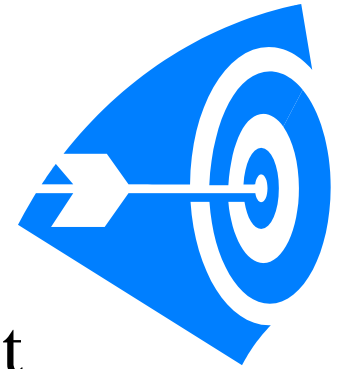
IT Performance Management



Module Objectives



- Understand focus and scope of Business & IT alignment
- Understand issues, challenges and growing importance/benefits of Business & IT alignment
- Identify and be able to apply mechanisms for Business & IT alignment implementation in an Organization



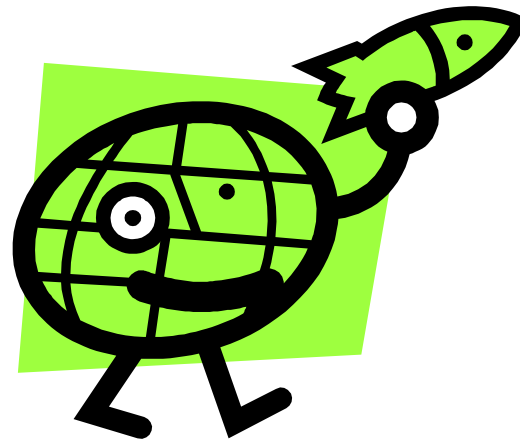
Module Outline



- Purpose, importance, modes and enablers/inhibitors of IT and business alignment
- Model and mechanisms for **Business & IT** alignment implementation in an Organization
- Case study on IT and business alignment



Purpose, Importance, Modes and Enablers/Inhibitors of IT and Business Alignment



What is Business/IT alignment?

- Since the 1970's, one of the major concerns of key business leaders has been the alignment of business and IT goals.

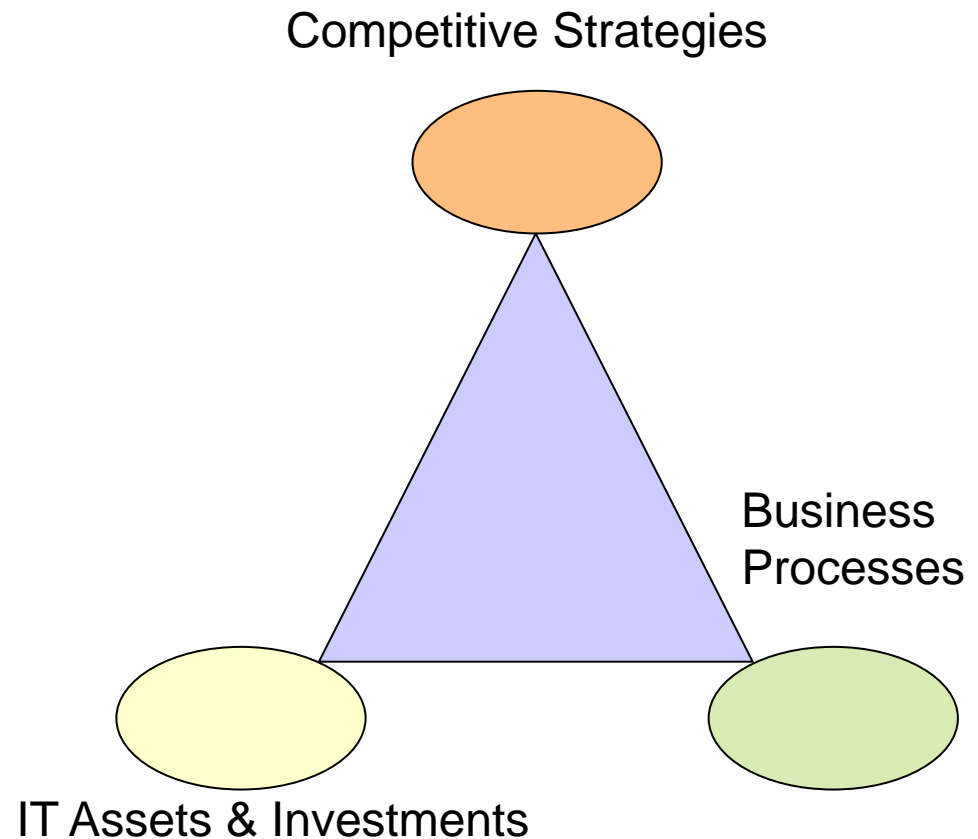


Figure 1: Top 10 IT Management Concerns of 2008 Compared with Data since 1980²

IT Management Concerns	2008	2007	2006	2005	2004	2003		1994	1990	1986	1985	1983	1980
IT and Business alignment	1	2	1	1	1	1		9	7	5	2	7	9
Build business skills in IT	2	3											
IT strategic planning	3	8	4	4	4	2		10	3	1	1	1	1
Attracting new IT professionals ³	4	1	2	2	2	4		8	4	12	15	8	7
Making better use of information	5	9											
Manage change	6	7	3	2	3	3			19	18	6	14	12
Reduce the cost of doing business	7	4											
Improve IT quality	8	5											
Retaining IT professionals ³	8	1	2	2	2	4		8	4	12	15	8	7
Security and privacy	8	6	3	2	3	3			19	18	6	14	12

What is Business/IT alignment?

- The ability of a firm to convert its IT spending into business value and competitive advantage
- Results from the planned, ongoing use of a set of interlocking business practices that collectively derive superior value from IT investments
- An outcome of alignment is *portfolios* of IT investments, projects, and installed information systems that *reflects* a firm's strategic priorities.



Objectives Business/IT Alignment

- To optimize relational mechanisms between business and IT by working on IT effectiveness in order to maximize the business value from IT.
- To establish a trusted relationship between business and IT that allows for an innovation driven climate in which IT becomes a *strategic enabler* for business growth.

Improve Formulation of Public Policies

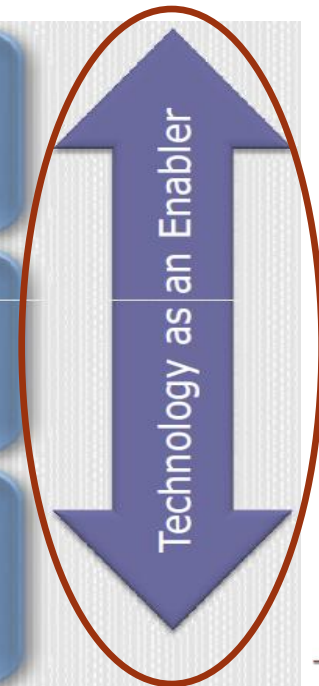
- ✓ Transparent operations, reduce inefficiencies & red-tape
- ✓ Involve wider community, professional & business networks
- ✓ Enhance cross-sectoral policy co-ordination & policy making

Improve Government Services to Stakeholders

- ✓ Business and citizen-centric focus
- ✓ Alternative channels to provide information
- ✓ Opportunities to provide online 24 x 7 E-Services

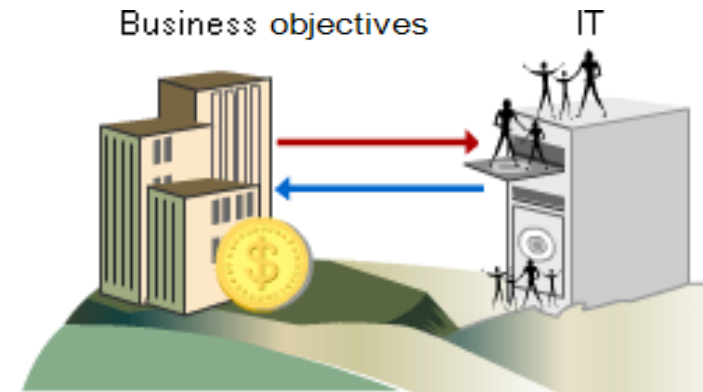
Improve Government Administration & Operations

- ✓ Streamline / reengineer government processes
- ✓ Cross agency collaboration
- ✓ Training civil servants with new skills and
- ✓ Change current / old mindsets



Modes on Business/IT alignment?

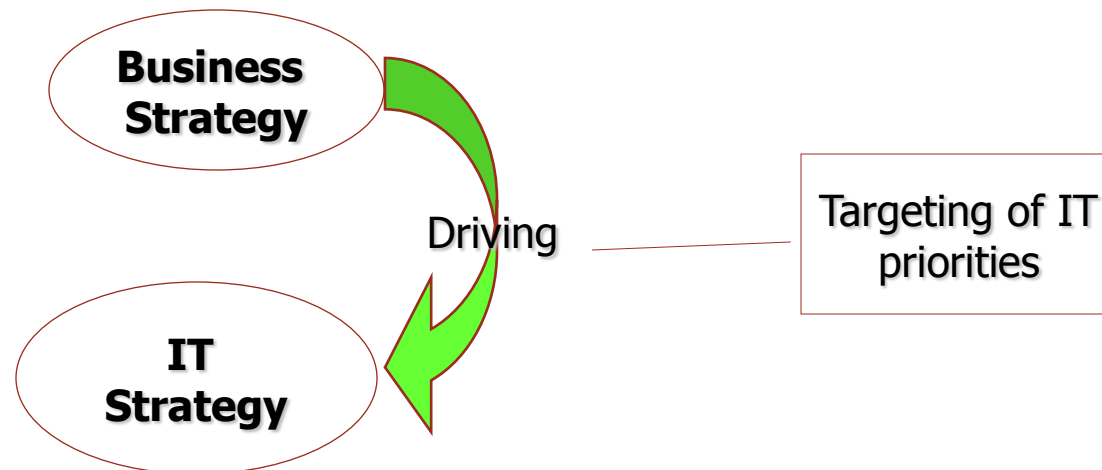
- There are three modes
 1. Support
 2. Synchronization
 3. Convergence.



Support

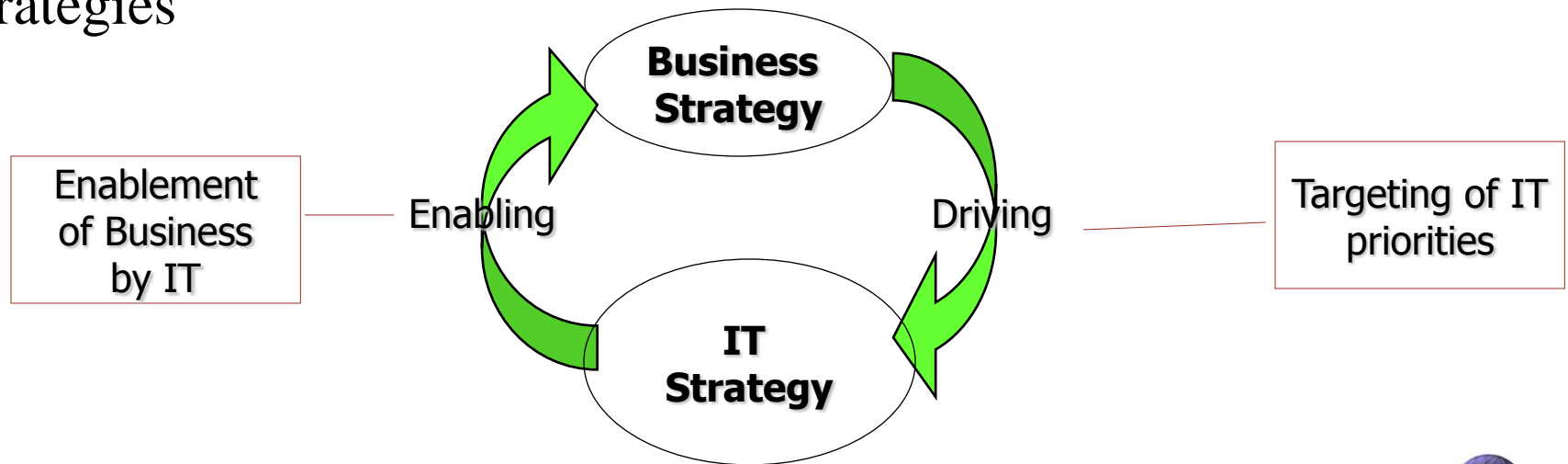


- Business strategies and capabilities drive IT priorities, investments and capabilities
- Tools for specific business processes
- Measures
 - Extent to which IT capabilities have enhanced the efficiency of existing business processes (e.g., customer service, manufacturing)
 - Extent to which IT capabilities have enhanced the effectiveness of existing business processes (e.g., improving the visibility of the logistics process, improving the accuracy and accessibility of customer information)



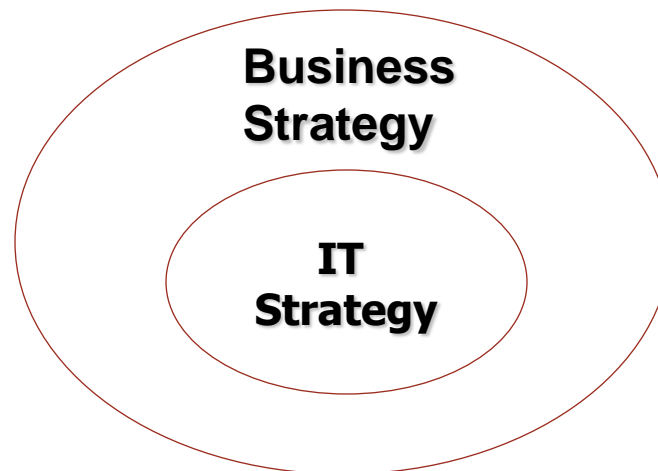
Synchronization

- IT strategy enables execution of current business strategy, but also anticipates and shapes future business models.
- IT investments are platforms for business process integration
- IT leadership, thinking and investments are active in seeding new business opportunities
- As firms become aware of the capabilities of their IT investments, assets, and applications, they focus on discovering new business strategies



Convergence

- Business strategy is shaped through digitized products, services, processes, and relationships
- IT strategy is embedded in the business strategy
- Processes are created through digital solutions (e.g., online auctions, keyword search)
- A single leadership team operates across business and IT
- Appropriate for media, banking, financial services, and entertainment industries



Three Modes of Alignment

	Support	Synchronization	Convergence
Key Objective	Enhance efficiency and effectiveness of current business strategies	Discover, innovate, and implement new business strategies	Digitize, innovate, and create new products and services
Focus of IT Management	<ul style="list-style-type: none"> • Current business strategies • Significant business processes • Portfolio of IT solutions 	<ul style="list-style-type: none"> • Capabilities of IT investments • Opportunities for creating new business strategies 	<ul style="list-style-type: none"> • Opportunities for digital products and services
Role of Business Executives	<ul style="list-style-type: none"> • Articulate information needs of business 	<ul style="list-style-type: none"> • Explore new IT-enabled business models 	<ul style="list-style-type: none"> • Explore digital products and services
Role of IS Executives	<ul style="list-style-type: none"> • Develop IT portfolio to support current business needs 	<ul style="list-style-type: none"> • Experiment with technologies to create new business opportunities 	<ul style="list-style-type: none"> • Experiment with technologies to create new products and services

Enablers/ Inhibitors of Alignment



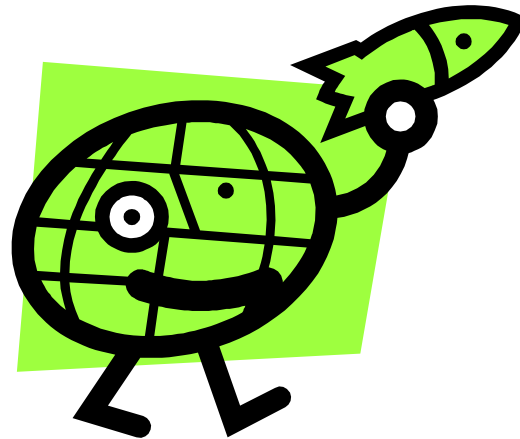
Enablers

- Senior executive support for IT
- IT involved in strategy development
- IT understands the business
- Business-IT partnership
- Well-prioritized IT projects
- IT demonstrated leadership

Inhibitors

- IT/business lack close relationships
- IT does not prioritize well
- IT fails to meet commitments
- IT does not understand business
- Senior executives do not support IT
- IT management lacks leadership

Model and Mechanisms for Business & IT Alignment Implementation in an Organization



Strategic Alignment Model

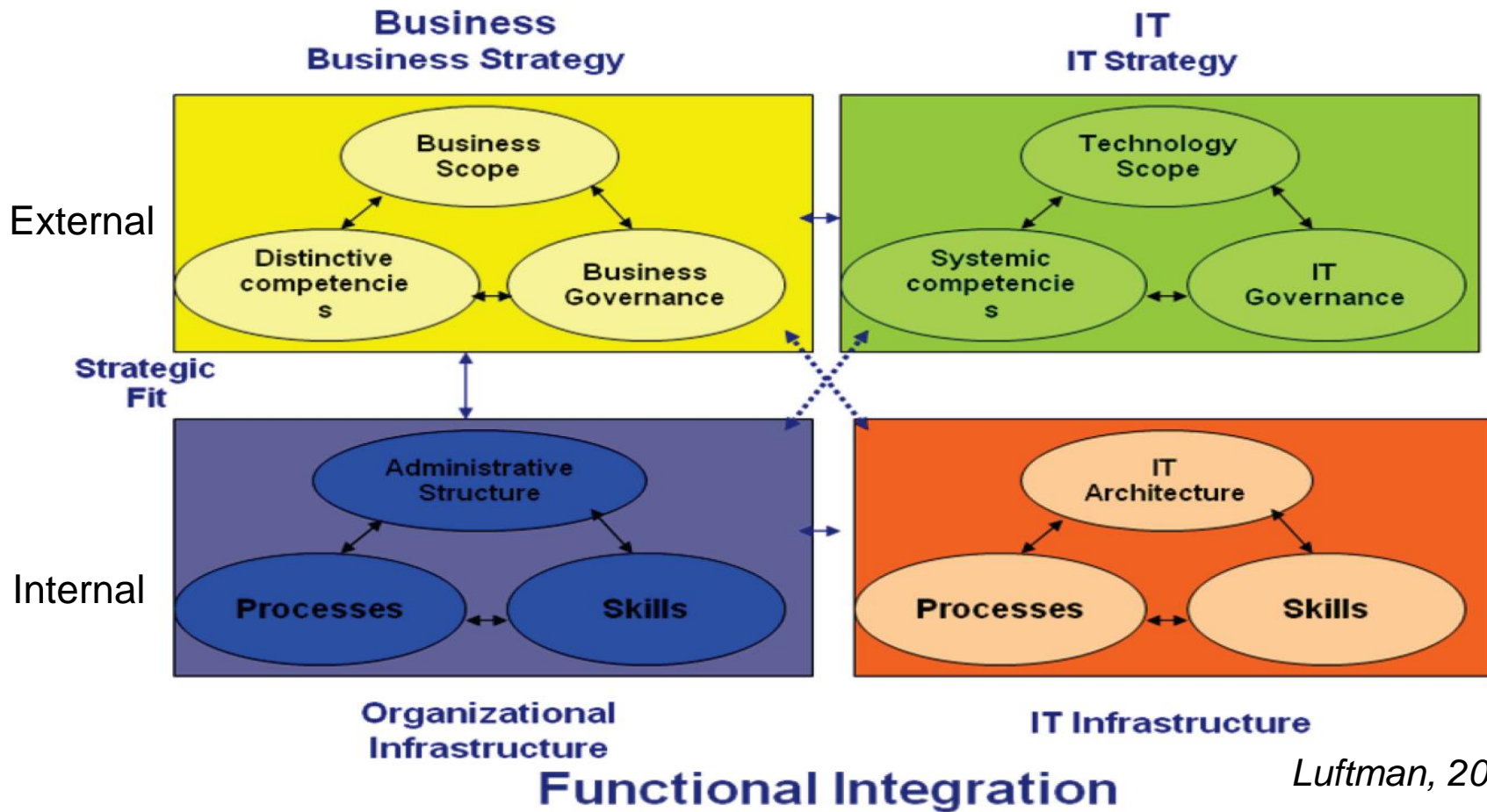


- Framework for aligning IT with business strategy
- Framework for conceptualizing and directing strategic role/management of IT
- Framework for leveraging IT on a continuous basis to achieve sustainable competitive advantage

Four Domains of Strategic Choice

Need to recognize how decisions in one domain affects the other domains

The Strategic Alignment Model



Luftman, 2009

Strategic Domains



- Business

- Scope: What business are you in?
- Distinctive Competencies: What do you do well to distinguish yourself from your competitors?
- Governance: What external business relationships do you depend on?

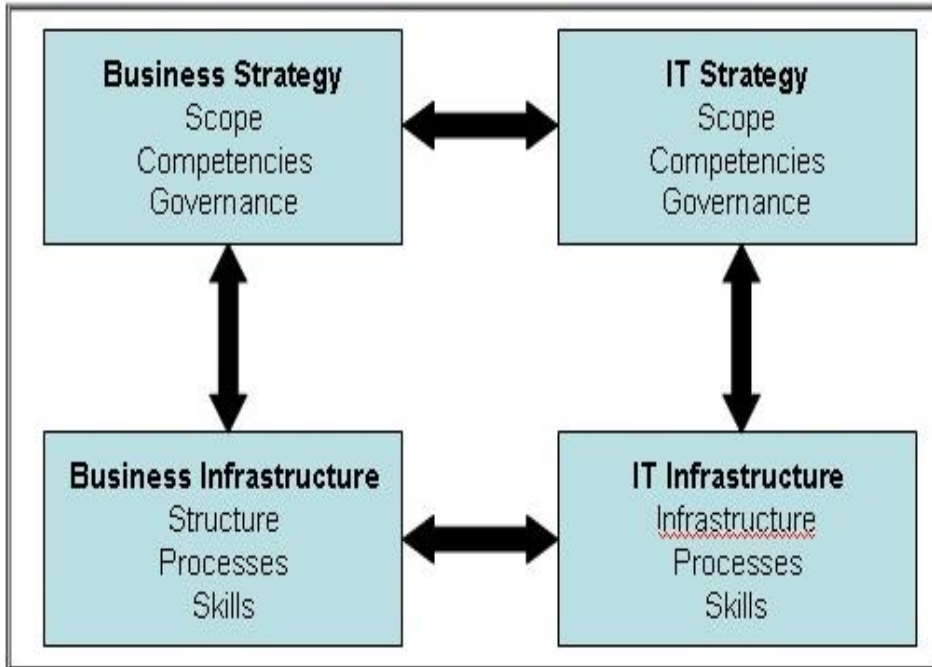
- IT

- Scope: What information technologies support or create strategic business opportunities?
- IT Competencies: What characteristics of IT create business advantage?
- IT Governance: What external relationships does IT depend on (outsourcing, vendors, etc.)

Infrastructure Domains

- Business
 - Structure: Organizational structure
 - Processes: What are key business processes?
 - Skills: What HR needed to accomplish specific competencies?
- IT
 - Infrastructure: Hardware, Software, Database, Networks
 - Processes: Development, Maintenance, Operations
 - Skills: What skills required to maintain architecture and execute the processes?

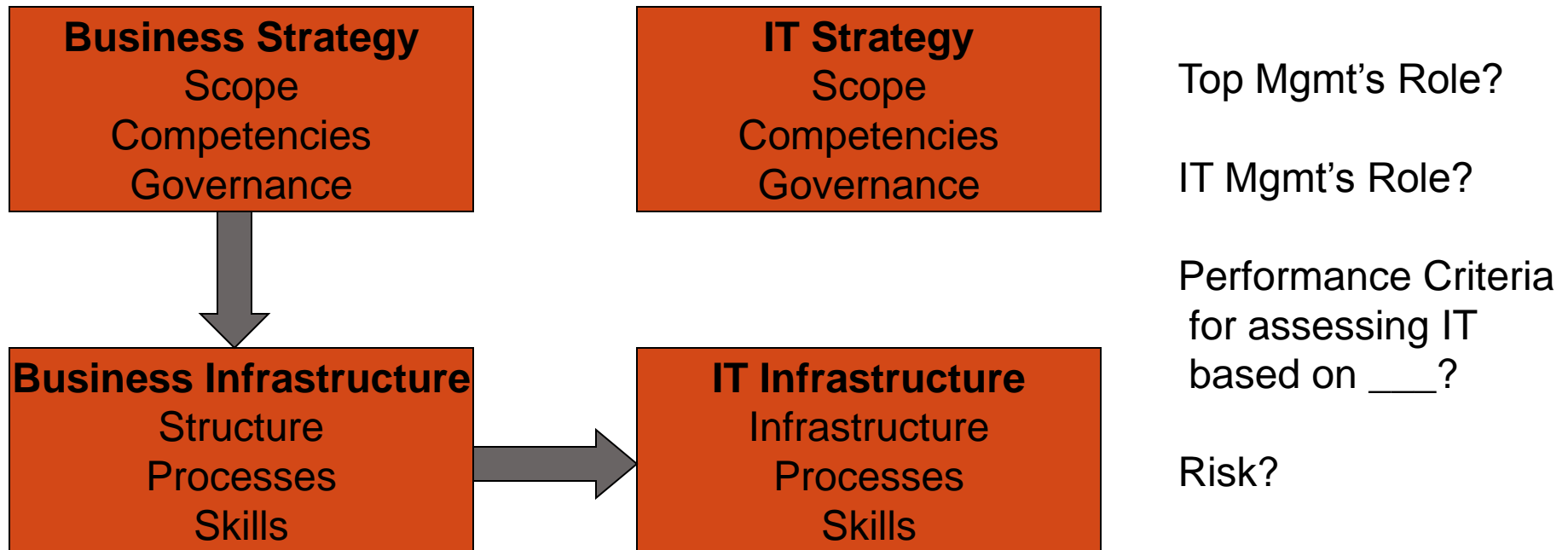
How to use Strategic Alignment Model



- Building Blocks:
 - Strategic Fit
 - Functional Integration and
 - Cross-Domain Relationship
- Identify your strongest and weakest domain
 - Need to develop communication with and increase understanding of weaker domains
- Understand relationship between domains when change in strategy occurs

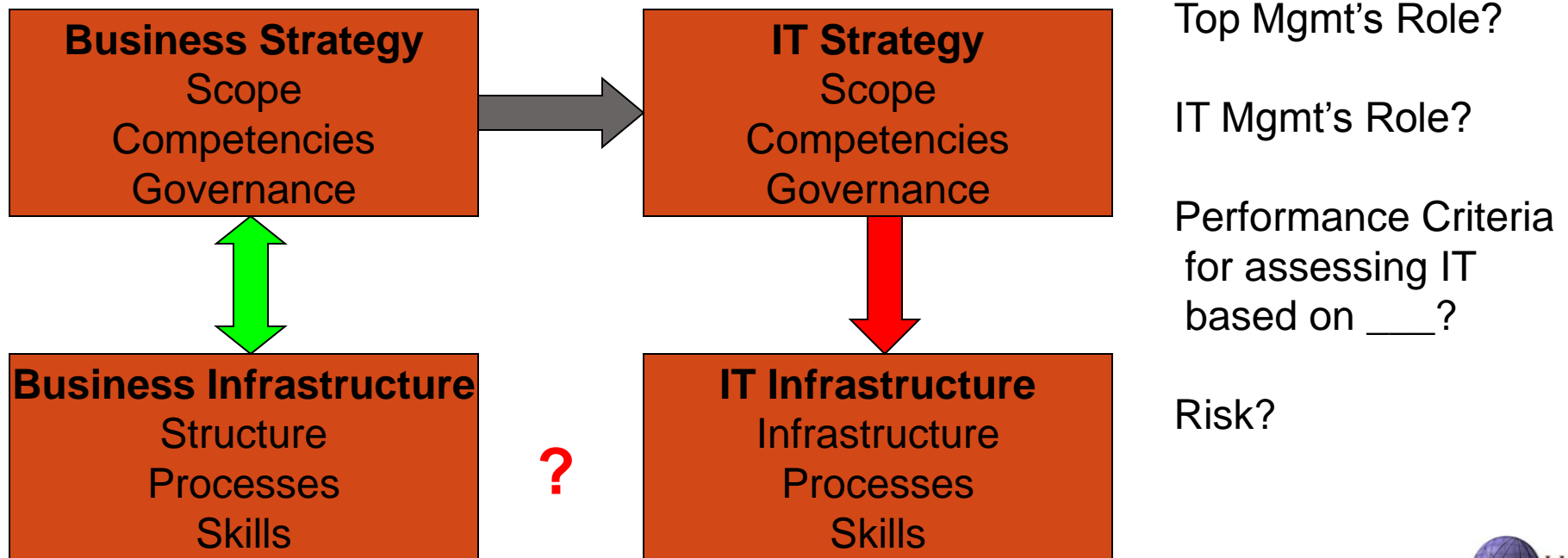
(i) Strategy Execution: IT is an Expense

- Business Strategy is the driver of both Business and IT Infrastructures
 - Priority is to improve business processes, which places focus on changing business infrastructure. IT focus is on application development, driven by need to support business infrastructure



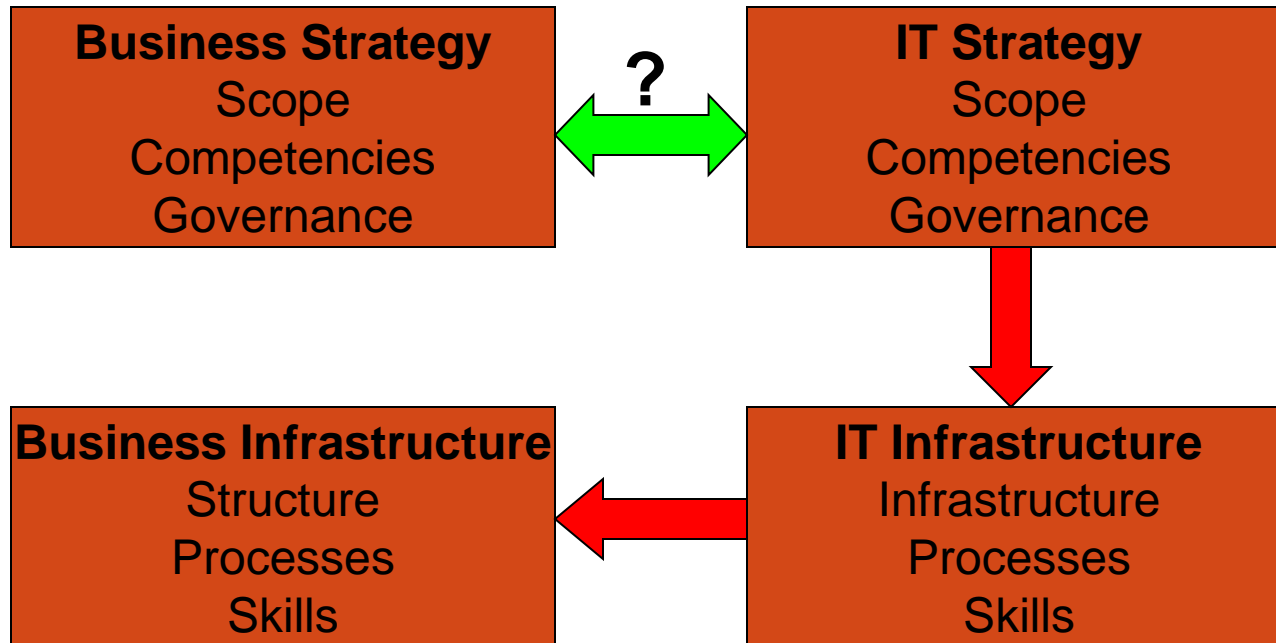
(ii) **Technology Transformation : Business Strategy Drives Need to Develop IT Strategy**

- Assume: Business strategy and infrastructure are aligned
- IT strategy needs to define technologies integral to business strategy
 - Focus is aligning IT strategy and IT infrastructure



(iii) Service Level: Providing IT services

- Information is a core product or service
 - Business strategy and IT strategy may be aligned
- Focus is to enable business infrastructure by fitting IT infrastructure to IT strategy



Top Mgmt's Role?

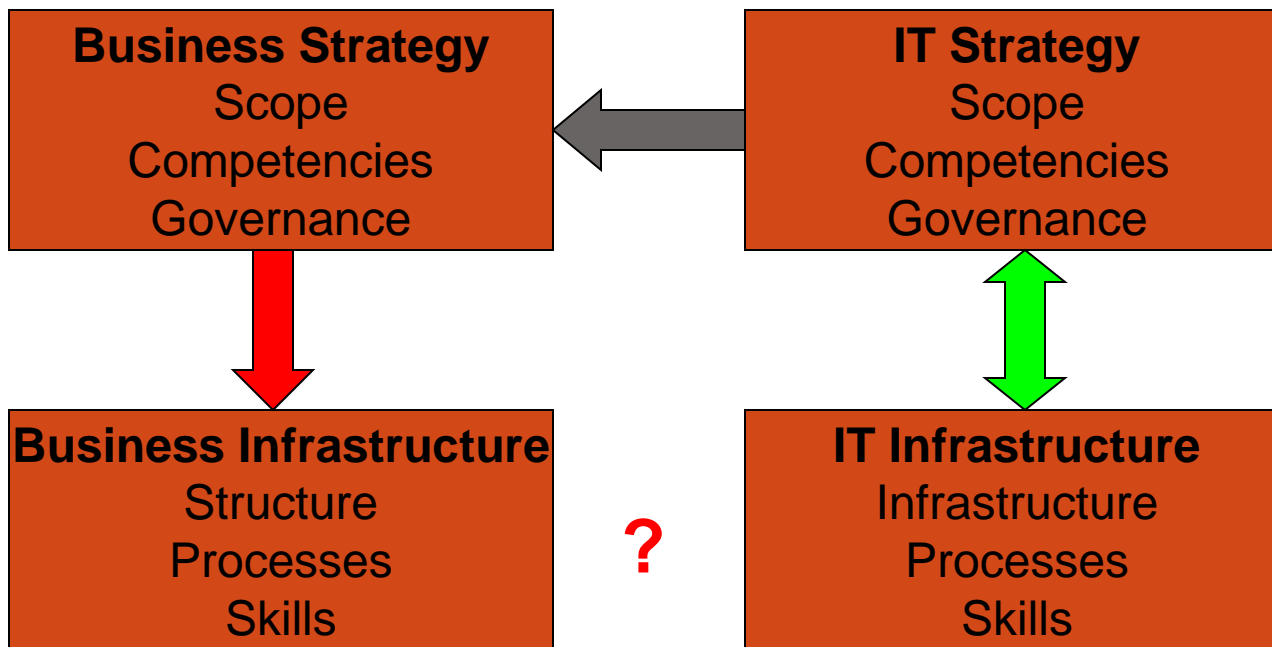
IT Mgmt's Role?

Performance Criteria for assessing IT based on ___?

Risk?

Competitive Potential: IT Enables Strategic Opportunities

- Assume: IT strategy and infrastructure are aligned
- IT strategy necessary to build distinctive core competency
 - Business infrastructure needs to evolve to fit new business opportunities enabled by IT



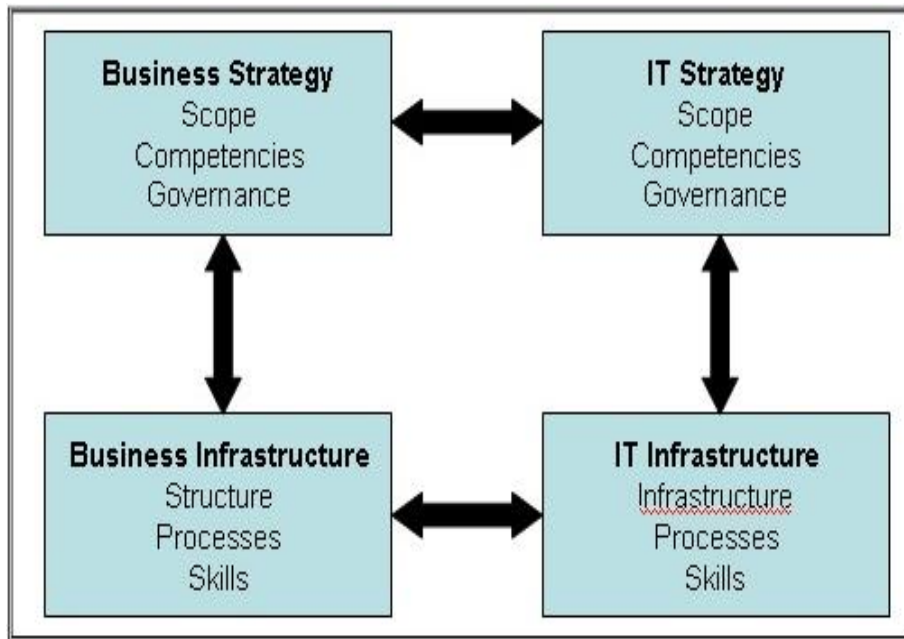
Top Mgmt's Role?

IT Mgmt's Role?

Performance Criteria
for assessing IT
based on ____?

Risk?

Lessons from the Strategic Alignment Model



- Need for IT external and internal domains
- Understand strong/weak domains and cross-domain relationships
- Different roles of business and IT executives
- Re-conceptualize assessment of the performance of IT
- Which alignment perspective is best?
 - If there is one universally superior perspective – would the strategic benefit be sustainable?

Measuring the Business and IT Alignment

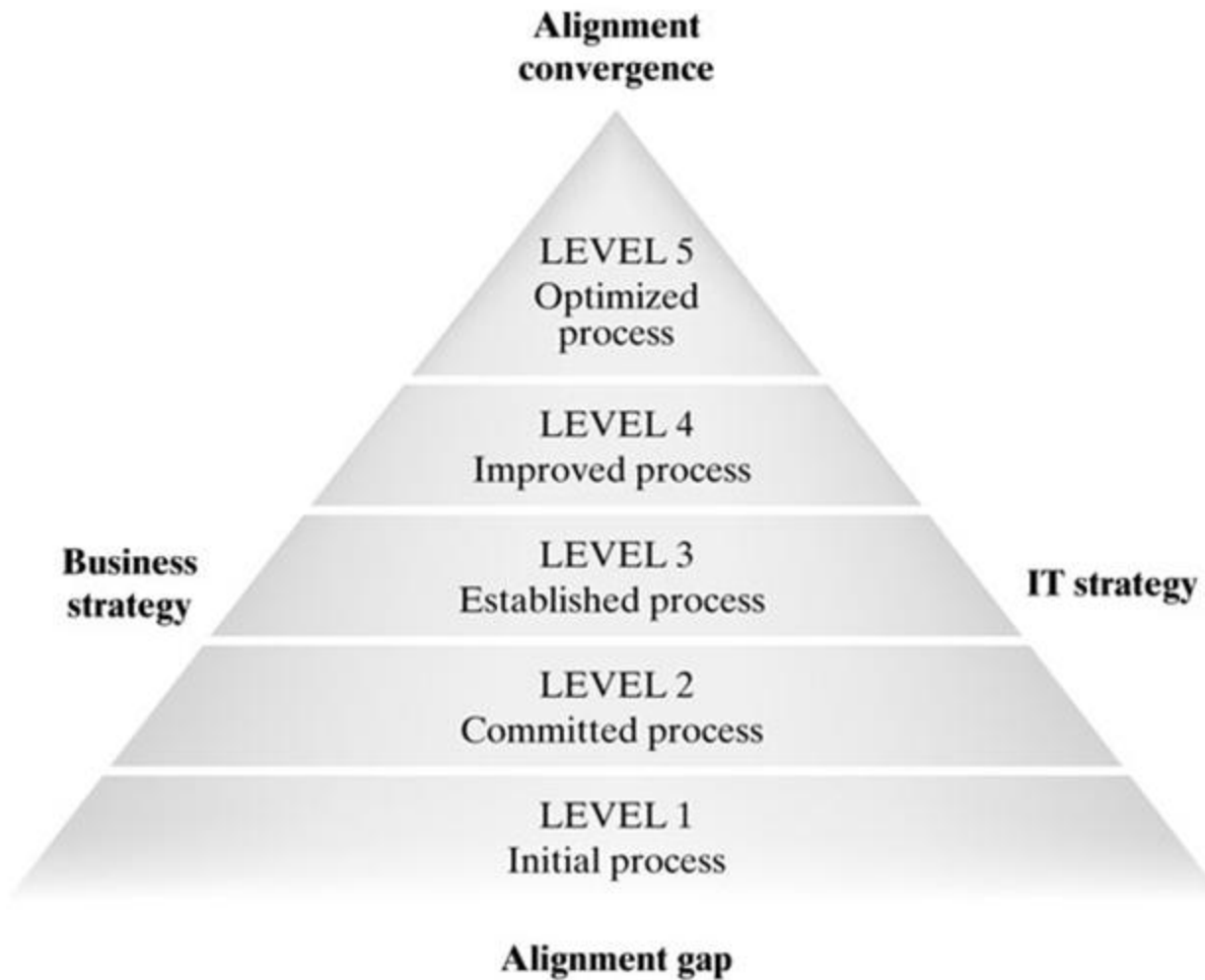


- The first step in aligning IT and business priorities is to understand where relationships break down and expectations differ.
- A tool (figure in next slide) based on the Capability Maturity Model (CMM) developed by Carnegie Mellon's Software Engineering Institute can help you assess how well-integrated IT is with the company's goals.
- Spotting divergent viewpoints presents an opportunity for improvement. See how your company stacks up.

Strategic Alignment Maturity Levels

- Initial/Ad Hoc Process
 - Business and IT not aligned
- Committed Process
 - Organization commits to becoming aligned
- Established Focused Process
 - Established and Focused on business objectives
- Improved/Managed Process
 - Reinforcing concept of IT as “Value Center”
- Optimized Process
 - Integrated/Co-adaptive business and IT strategic planning

Convergence of Strategic Alignment Gap



Source: Luftman. J

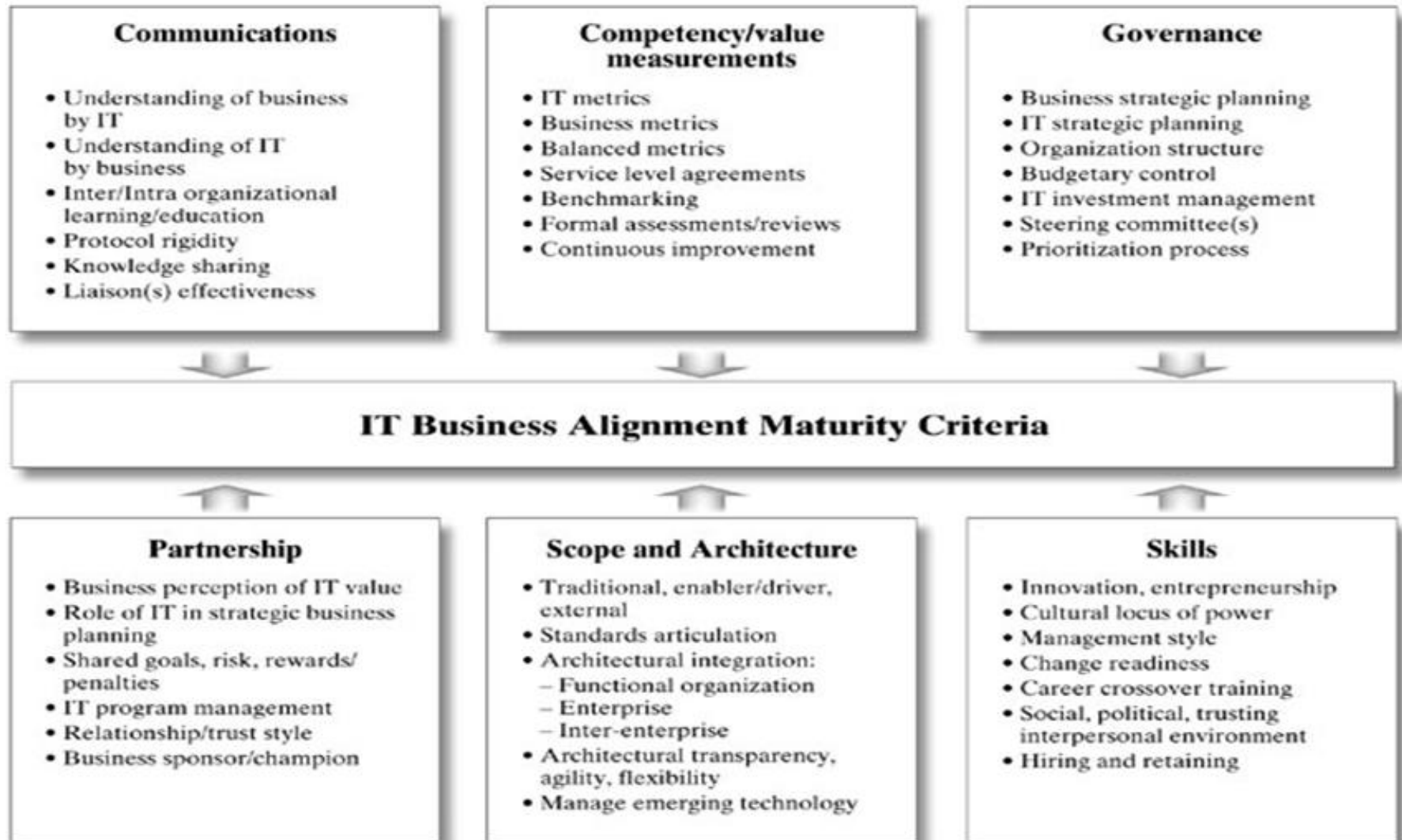


Strategic Alignment Maturity Criteria



- Communications
- Competency/value measurements
- Governance
- Partnerships
- Scope and Architecture
- Skills

Strategic Alignment Maturity Criteria...



Source: Luftman, 2009

Strategic Alignment Process



- Set the Goals and Establish a Team
- Understand the Business-IT Logic
- Analyze and Prioritize Gaps
- Specify the Actions
- Choose and Evaluate Success Criteria
- Sustain Alignment

Case Study on Business and IT Alignment : The FBI



Discussion Questions (based on case study provided)

1. What do you think were the real reasons why the VCF failed?
2. What were the point of alignment and misalignment between the Information Systems Strategy and the FBI organization?
3. What do you think the CIO's final comment about how to change attitudes? Do you think it will work? Why or why not?
4. If you were the CIO, what would you do to help the FBI modernize and make better use of information technology?

Self-reflection



What did you learn in this module? What are implications to your Organization?



End of Module 4

