Chapter 76
Strategic IT Alignment in Service Sector

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ABSTRACT

Effective management and governance is key to the business and information technology alignment. Just as business organisations have to be responsive to the changes in their operating environment to remain competitive, they also have to be proactive in leveraging technological resources to sense these changes and take appropriate strategic and operational decisions. Governance of information technologies is not the job of technology administrators; in fact, it is everybody's responsibility. With this recognition and understanding, technology stakeholders are able to assume responsibilities and accountabilities to execute and achieve desirable behaviour in the use of information technologies. This paper presents a case study of a bank in Thailand on how it has embedded governance practices in its social, operational, structural, and technical environment. It concludes that maximization of value from information technologies is dependent upon the technical, cultural, and organisational endorsement of business practices relating to their governance.

INTRODUCTION

In the contemporary business environment, information technologies (IT) act as strategic enablers as well as strategic advisors. These technologies enable business workflow, and at the same time allow for informed decision support that enhances internal and external responsiveness of the organisation. The impact of IT is particularly significant for service organisations, since they strengthen, support, improve and expedite operations along the service value chain. In these organisations, IT assume a variety of roles and serve as the main conduit to understanding and providing a sustained level of service and value to the organisational stakeholders. The value of IT, however, is dependent on the context within which they

are implemented, as context shapes their use through the interaction and relationships between various social, human, and organisational, and technical systems. In order to maximise value from IT, service organisations have to understand these interactions, and the internal and external forces that influence the operating environment of the business.

Literature review suggests that technology managers take a deterministic approach to technology implementation (see for example, Haider 2013), whereby they focus on the promises associated with technology rather than the cause and effect relationship, and the contextual intricacies that realise those benefits. As a result, the information technology environment in the contemporary business landscape is replete with vulnerabilities, like lack of fit between technical infrastructure with strategic business considerations, incompatible technology, lack of information ownership, overdependence on outsourcing, inability of the organisation to assign responsibility and accountability, budget blowouts, and ineffective risk assessment and mitigation. As a result, employees in large sized service organisations maybe technically competent, yet they cannot fully appreciate the soft and hard role of information technologies in the organisation, and cannot fully apply their knowledge and skills for the optimum advantage of the organisation.

Managing value from information technology infrastructure is the core tenet of IT governance. It provides the decision rights and accountability framework that encouraging desirable behaviours in the use of information technologies within the organisation. These behaviours are shaped through the mutual interaction of cultural, social, technical, and organisational environments prevailing in the operating context of the organisation. IT governance, therefore, is not the job of a few individuals in the organisation or the information technology department; it is everybody's responsibility. At the same time, the Thai service industry is a complex environment, which consistently struggles to work within the established norms of Thai culture—particularly large sized service organisations, which are forced to have a reactive rather than proactive approach to information technology infrastructure development and use. It is, therefore, important to assess how these organisations institutionalise governance of their information technologies within their operating environment, such that it becomes an integral part of the business workflow embedded through organisational values.

This paper starts with conceptual explanation of IT governance and explains its significance for service organisations. It then discusses the institutional theory and highlights the social, organisational, and technical factors that help institutionalise a system or a phenomenon in an organisation. This is followed by a detailed case study of a Thai bank and its experience with IT governance, using the theoretical frame of references developed in the earlier sections of this paper.

CONCEPT OF IT GOVERNANCE

Different scholars have defined IT governance from different angles. The generally accepted definition of IT governance is about IT responsibilities. This definition, however, takes a very narrow approach of IT governance, whereby the authors only talk about the responsibilities of different managers or employees in the organisation to manage IT. Grembergen (2004) takes a strategic view of IT governance and suggests that IT governance is the organisational capacity exercised by the Board, executive management and IT management to control the formulation and implementation of IT strategy and in this way ensure the fusion of business and IT. The author suggests that in order for IT to function properly in the organisation, alignment between IT strategic business orientation is a must.

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