Measuring Business-IT Alignment in a Digitally Revolutionized Economy

Pablo Alfonso Gajardo, University of Lleida, Lleida, Chile

Ariel I. La Paz, University of Chile, Lleida, Chile

ABSTRACT

Although the concept of business-IT alignment was once considered one of the most important concerns of organizations, in terms of IT administration, the attention it has received has decreased significantly over the years. This article postulates that strategic alignment initiatives still have the same relevance—in particular for non-IT companies—which means that digital transformation strategies should consider the strategic alignment as a critical issue for their success. Therefore, the persistent relevance of this concept and the need to measure it with updated instruments capable of assessing the degree of maturity reached and feeding back the results to the organizations remains a key topic in IT administration. Based on an updated instrument, adequate for a digital framework, our study surveyed a sample of mostly large Chilean companies. The results obtained reveal the importance to count with an improved model that captures the changes this new digital scenario imposes.

KEYWORDS

Business-IT Alignment Maturity Level, Digitally Revolutionized Economy, Digital Transformation Strategy Framework, Updated Model

INTRODUCTION

No company, no industry, no market can avoid the impact of the pervasive force of technology, changing the business models and processes, as they have traditionally been known and applied.

The digital revolution has changed the rules of business. With the constant diffusion of digital technologies, each industry faces its own challenges and threats. New players enter the market, leveraged by cutting-edge technology that shakes up the solid and recognized companies. (Herbert, 2017; Peppard & Ward, 2016; Rogers, 2016; Venkatraman, 2017).

To be successful in the digital world, companies must think of technology not only as a support function, but also as a strategic and competitive weapon, so it is not just about applying technology to the business as a commodity, but rather creating new business models and operational models, leveraged by the innovative use of technology. When raising this point, it is assumed that the concept of business-IT alignment is still valid, for non-IT companies, in the process of becoming a digital entity. And while, for a long time, the IT units have been treated as subordinate to the commercial strategy, in light of the literature surveyed, we coincide with scholars and practitioners, emphasizing the importance of the alignment between business and IT, and the value that it brings to the organizations.

Even though the number of papers published on strategic alignment between business and IT has declined markedly since the appearance of the Digital Transformation concept, some authors continue to reveal the benefits it generates for organizations, with new approaches or extensions of the traditional concept. (CIO Wiki, 2019; Horlach, Drews & Schimer, 2016; Tejada-Malaspina & Un Jan, 2019; Wan & Ge, 2018).

The need for a strategic alignment between the business and IT is vital for the functional areas and IT departments to work together and reach mutual understanding. This synergy means that both, functional and IT units must be partners in the development and execution of the organizational business strategy, recognizing that IT and business strategy are closely related, and companies are not competitive if both strategies are not strongly linked and aligned (Aversano, Grasso, & Tortorella, 2016; Avison, Jones, Powell, & Wilson, 2004; Coltman, Tallon, Sharma, & Queiroz, 2015; Johnson & Lederer, 2010; Fonstad & Robertson (2006); Luftman, Lyytinen, & Zvi, 2015; Reich & Benbasat, 2000), among others.

Having revealed the need to bring the concept of business-IT alignment to the center stage once more, especially for non-IT companies, under the current conditions, it is critical to go a step beyond simply understanding the importance of the concept and the factors that impact it. This implies the necessity of measuring the degree of alignment reached in this process, understanding that the alignment between the business and IT, is not maintained in a passive state, but a dynamic and permanent process. This requires updated tools with the capacity to capture the changes that this new scenario imposes, feeding organizations with the results of its measurements in a continuous improvement process.

Granting the importance of measuring the alignment and its implications for the success of the aforementioned organizations, now in a digital environment, the research question of this article is: What aspects need to be updated in a model whose purpose is to measure the maturity of the strategic alignment between the business and the IT function in this digital scenario? In order to answer the research question, the authors analysed seminal papers and models, and ultimately contributed an updated model for measuring the business-IT alignment maturity level, and a digital transformation strategy framework, under which the updated model operates.

BACKGROUND

The alignment between business and IT has been an important topic in the IT administration literature for more than three decades (Kappelman, McLean, Johnson & Gerhant, 2014), nevertheless, studies on the subject consistently indicate that the alignment of information technology with the business is an unsolved problem. As it is commented by Luftman et al., (2015): "While significant progress has been made to understand alignment, research on IT alignment is still plagued by several problems". (p.1). Despite the existing awareness about the need for alignment, and the evidence documented in academic and professional publications, companies spend most of their time aligning the IT services and operations with corporate objectives instead of figuring out innovations and improvements for the business performance. (IT Web Brainstorm CIO Survey, 2014; Peppard & Ward, 2016). The latter could indicate that the concept of strategic alignment between business and IT is still managed at the operational level. In that sense: "The challenge is, as it has always been, to harness these technologies in support of enterprise objectives and to create new high value strategies." (Peppard & Ward, 2016, p. 16). In other words, to harness digital technologies for achieving alignment with enterprise objectives and co-creating innovative strategies and new business capabilities.

In order to provide a context to this research and its objectives, an extensive literature review was conducted on the concept of business and IT alignment – based on the Scopus database - from its origins to the present. In this regard, by tracing a timeline in the theoretical evolution of this topic, we can see how the concept of business-IT alignment began to acquire general interest since the mid-1980s, based on the works of Benjamin, Scott-Morton and Wyman (1983), Scott-Morton

17 more pages are available in the full version of this document, which may be purchased using the "Add to Cart" button on the publisher's webpage: www.igi-global.com/article/measuring-business-it-alignment-in-a-digitally-revolutionized-economy/250867

Related Content

Continuous Business Case Usage in the Context of a Strategic IT Enabled Investment at Rabobank

Kim Maes, Steven De Haes, Wim Van Grembergen, Tim Huyghand Jos Maaswinkel (2017). *International Journal of IT/Business Alignment and Governance (pp. 48-64).*
www.irma-international.org/article/continuous-business-case-usage-in-the-context-of-a-strategic-it-enabled-investment-at-rabobank/180694

ERP + E-Business = A New Vision of Enterprise System

Betty Wangand Fui Hoon (Fiona) Nah (2001). *Managing Internet and Intranet Technologies in Organizations: Challenges and Opportunities (pp. 147-164).*
www.irma-international.org/chapter/erp-business-new-vision-enterprise/25892

ZeroWaste - Technological Platform to promote Solidarity in Smart Cities

(2022). *International Journal of Entrepreneurship and Governance in Cognitive Cities (pp. 0-0).*
www.irma-international.org/article//286170

A Context and Content Reflection on Business-IT Alignment Research

John Joe Parappallil, Novica Zarvicand Oliver Thomas (2012). *International Journal of IT/Business Alignment and Governance (pp. 21-37).*
www.irma-international.org/article/context-content-reflection-business-alignment/75317

Strategic and Tactical Business-IT Alignment Barriers in Organizations Acting in Sweden

Mohamed El-Mekawy, Lazar Rusu, Erik Perjons, Karl-Johan Sedvalland Murat Ekici (2015). *International Journal of IT/Business Alignment and Governance (pp. 31-55).*
www.irma-international.org/article/strategic-and-tactical-business-it-alignment-barriers-in-organizations-acting-in-sweden/138929