Chapter VI

Assessing Business-IT Alignment Maturity

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ABSTRACT

Business and IT practitioners, researchers, and consultants have been asking for an effective tool to assess IT-business alignment. Until now, none was available. This chapter introduces the strategic alignment maturity assessment. This assessment tool is based on the authors’ research and consulting experience that identified the major enablers and inhibitors in the achievement of business-IT alignment and the methodology that leverages the most important enablers and inhibitors. Alignment focuses on the activities that management performs to achieve cohesive goals across the IT (information technology) and other functional (e.g., finance, marketing, H/R, manufacturing) organizations. Therefore, alignment addresses both how IT is in harmony with the business, and how the business should/could be in harmony with IT. Alignment evolves to a relationship where IT and business adapt their strategies together. Achieving alignment is evolutionary and dynamic. IT requires strong support from senior management, good working relationships, strong leadership, appropriate prioritization, trust, and effective communication, as well as a thorough understanding of the business and technical environments. Achieving and sustaining alignment demands focusing on maximizing the enablers and minimizing the inhibitors. The purpose of this chapter is to discuss an approach for assessing the maturity of the business-IT alignment. Once the maturity is understood, an organization can identify opportunities for enhancing the harmonious relationship of business and IT.

INTRODUCTION

Decades have passed. Billions of dollars have been invested on information technology (IT). Today, every organization is in the information business. Alignment — applying IT in an appropriate and timely way, in harmony with business strategies, goals and needs — remains a key concern of business executives. This chapter appears in the book, Strategic Information Technology: Opportunities for Competitive Advantage by Raymond Papp. Copyright © 2001, Idea Group Publishing.
definition addresses both how IT is aligned with the business, and how the business should/could be aligned with IT. Alignment must evolve to a relationship where IT and business adapt their strategies together. Frustratingly, organizations seem to find it difficult or impossible to harness the power of information technology (IT) for their own long-term benefit, even though there is worldwide evidence that IT has the power to transform whole industries and markets. How can companies achieve alignment? How can companies assess alignment? There are known enablers and inhibitors that help and hinder alignment. Executives experience them daily. Anecdotal publications have described them.

The purpose of this chapter is to present a tool for assessing the maturity of a firm’s business–IT alignment. Until now, no tool was available. This alignment maturity assessment provides a comprehensive vehicle for organizations to evaluate business–IT alignment with regard to where they are and what could be done to improve the harmony. The maturity assessment applies the authors' previous research that identified enablers/inhibitors to achieving alignment as building blocks for the evaluation. It is based on the popular work done by the Software Engineering Institute, Keen's reach and range, and an evolution of the Nolan and Gibson stages of growth.

THEORETICAL PERSPECTIVES AND PREVIOUS RESEARCH

Alignment’s importance has been well known and documented since the late 1970s. It has persisted among the top ranked concerns by business executives. Alignment seems to grow in importance as companies strive to link technology and business in light of dynamic business strategies and continuously evolving technologies. Importance aside, what is not clear is how to achieve and sustain this harmony relating business and IT, how to assess the maturity of alignment, and what the impact of misalignment might be on the firm? The ability to achieve and sustain this synergistic relationship is anything but easy. Identifying an organization's alignment maturity provides an excellent vehicle for understanding and growing the business–IT relationship. For years, firms have been channeling billions of dollars into technology in an attempt to successfully incorporate technology into their processes and long-term plans. Many of these efforts have failed despite overwhelming evidence of IT’s ability to transform both individual firms and entire industries. Frustrated, executives have asked for help in how they can better understand and improve alignment, given this seemingly difficult interrelationship. This is especially true as executives realize that every organization is in the business of information.

The strategic alignment model, suggested by Henderson and Venkatraman, was applied throughout a five-year research project. The components of the modifications of their model are shown in Figure 1. It is the relationships that exist among the 12 components of this model that define business–IT alignment. The components of this model in concert with the enablers/inhibitors research form the building blocks for the strategic alignment maturity assessment. Once the maturity is understood, an organization can identify opportunities for enhancing the harmo-
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