

Chapter VIII

Business & IT Alignment in a Multinational Company: Issues and Approaches

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ABSTRACT

This chapter explores the theory and practice of business & IT alignment in multinational companies. In the first part of the chapter an overview of the theory is presented. In this part, the familiar frameworks for business & IT alignment are put in perspective in an “alignment development model.” The second part of the chapter presents the practical issues that are experienced in aligning IT to business in multinational companies. These issues and considerations resulted from a focused group discussion with IT managers and CIOs of medium-sized and large organizations in The Netherlands.

INTRODUCTION

In almost all industries, developments like new technologies, mergers and acquisitions, entrepreneurial initiatives, regulatory changes and strategic alliances create a dynamic business environment. A key success factor for a successful company in such a dynamic environment is an effective and efficient information technology (IT)-supporting business strategies and processes. The necessity and desirability of aligning business needs and IT capabilities is examined in numerous articles (Pyburn, 1983; Reich & Benbasat, 1996; Chan et al., 1997; Luftman & Brier, 1999; Maes et al., 2000; Sabherwal & Chan, 2001), and its importance is well-recognized (Cumps et al., 2006). The annual

survey on top management concerns by the Society for Information Management (www.simnet.org) ranked “IT and Business alignment” as the No. 1 concern for 3 years in a row (Society of Information Management, 2003, 2004, 2005).

In a survey by Synstar, 78% of European IT managers indicate that their IT is not aligned with business strategy (Synstar, 2004). Another survey shows similar results (Winmark & BMC Software, 2004). Given the *buzz* around “business & IT alignment” BIA in recent years, these results should be surprising. BIA does not seem to live up to its promise (Bloem & Van Doorn, 2004).

This chapter explores the theory and practice of BIA in multinational companies and provides some insights into the difficulties of putting theory

into practice. In the first part of the chapter, an overview of the theory is presented. In this part the familiar frameworks for BIA are put in perspective in an “Alignment development model.” The second part of the chapter presents the practical issues that are experienced in aligning IT to business in multinational companies. The last part of the chapter presents an analysis of the practical approaches to BIA that the CIOs and IT managers in the focus groups took.

RESEARCH DESIGN

The research into the specific issues with BIA in multinational companies is part of a research program that explores the differences of BIA in theory and in practice. With this knowledge the theory on BIA can be further developed.

The first step of the research consisted of a literature review on the topic. The literature review is reported in the first section of the chapter. It focused on the following questions.

- How is BIA defined and interpreted?
- Which theories are developed on BIA?
- What was the development path of BIA?

To explore the specific issues with and approaches to BIA in multinational companies, a focused group discussion was organized with IT managers and CIOs of medium-sized and large organizations in the Netherlands. In total, 12 participants from multinational trade, manufacturing and financial companies joined the discussions. The focused groups were aimed at exploring the following questions.

- Which issues are faced in aligning IT with business requirements in practice in multinational companies?
- Which actions are taken to align IT with business requirements in multinational companies?

The results of these discussions are reported in the latter sections of the chapter.

THE DEVELOPMENT OF BUSINESS & IT ALIGNMENT

Phase 1: Traditional IT Planning

The challenge of aligning IT with business requirements is not new. Together with the rise of information systems in organizations, the need for alignment of its use with business processes and strategy grew. As a response to this challenge, methodologies of IT planning and system development were developed. Amongst others: business systems planning (IBM Corporation, 1981), and information systems study, and information engineering (Martin, 1982). These methodologies can be regarded as the predecessors of the BIA theory. Since these methodologies were developed in the '70s and '80s of the last century, it is not surprising that the goal of these methodologies is building a foundation for the development of (large) bespoke information systems. The methodologies, therefore, focused heavily on the analysis and structure of the organizations' data. Table 1 shows an overview of the characteristics of the main methodologies.

The application of these methodologies in practice resulted, however, in extensive schemes

Table 1. Characteristics of the main IT planning methodologies

	Business Systems Planning IBM	Information Systems Study IBM	Information Engineering Facility James Martin
Business Strategy			
Business Processes			
Business Data			
Business Organization			
IT Applications as-is			
IT Applications to-be			
IT Infrastructure as-is			
IT Infrastructure to-be			
IT Organisation as-is			
IT Organisation to-be			
Projects portfolio			
Projects new projects			

Legenda:		= aspect has adequate attention
		= aspect has moderate attention
		= aspect has no attention

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