

# Chapter 8

## Prioritising and Linking Business Goals and IT Goals in the Financial Sector

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### ABSTRACT

*In today's complex and constantly changing business world, business/IT alignment is high on the agenda of executive management. To achieve such alignment, it is important that an organization should have a clearly established corporate mission and a well-defined support strategy and business goals. Furthermore, the translation into and linkage with the company's IT strategy and goals must be carefully planned. However, these requirements appear to be rather difficult to meet in reality, so that companies must often look for additional practical guidance in identifying their principal business and IT goals, as well as in determining how these should be geared to one another. Therefore, a series of research steps has been designed for the purpose of providing pragmatic assistance in defining a cascade of business goals and supporting IT goals. This paper presents the results of a Delphi study conducted in the financial sector. It offers qualitative information on how to establish a firm set of business objectives, IT goals and their interrelationships. In addition, it provides some recommendations on how to adapt and fine-tune the proposed procedure with a view to either complementing the results or replicating them for other sectors of industry.*

### INTRODUCTION

Today, IT is more critical to a business than ever (ITGI, 2006). It is moving away from being a cost-only factor to constituting a service that actually contributes to achieving a company's business

objectives. Both academic research and business experience have identified business/IT alignment, also known as *strategic alignment*, as a positive driver for optimising business performance (Henderson & Venkatraman, 1993; Teo & King, 1996; Sabberwal & Chan, 2001; Byrd et Al., 2005). However, understanding strategic alignment and successfully implementing it in an organisation

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remains one of the major challenges in IT and business management. Numerous articles have been written on strategic alignment, but research in this field suggests a lot of work remains to be done in order to improve the strategic fit between IT and business (Chan, 2002; Luftman, 1999; Reich, 1996).

### **The Complex Construct of Strategic Alignment**

A rather generic definition of strategic alignment is provided by Duffy (2002), who sees it as *“the process and goal of achieving competitive advantage through developing and sustaining a symbiotic relationship between business and IT”*. However, while this formulation already shows that the idea underlying strategic alignment is quite broad, understanding and achieving alignment in the real world is not a particularly straightforward proposition. Many studies and publications have attempted to unravel the complex structure of business/IT alignment. Henderson and Venkatraman (1993), in their Strategic Alignment Model (SAM), were among the first to provide an unequivocal description of the interrelationship between business and IT strategies. Their work was soon followed by that of other researchers, who reviewed their model and complemented it with further insights (Luftman & Brier, 1999; Maes, 1999; Teo & Ang, 1999; Burn & Szeto, 2000; Croteau & Bergeron, 2000; Smaczny, 2001).

In IT-related literature, a more specific view on strategic alignment is proposed by Chan (2002): *“the degree to which the information technology mission, objectives and plans support and are supported by the business mission, objectives and plans”*. In the same article, Chan defines strategic alignment as the fit between the priorities and activities of the IT function and those of the business unit. Aligning the IT plans to the business plans is, however, just one of many success factors for strategic alignment. An interesting perspective in this respect is that of Benbya and McKelvey (2006), who apply the concepts of co-

evolutionary theory in representing the different elements of business/IT alignment as a series of adjustments at three levels of analysis, namely the individual, the operational and the strategic levels. The alignment of the IT strategy and goals to the business strategy and goals is situated at the *strategic level*. The *operational level* includes the alignment of organisational structures between IT and the business. The *individual level*, finally, is where IT infrastructure are aligned with the user's needs. The co-evolutionary theory adopts a holistic view, in which alignment is regarded as a dynamic interplay between the components at those different levels, and whereby a continuous adjustment to changing business environments is taken into account.

A crucial question in the alignment debate is why the notion is so fundamentally important to an organisation's success. Much research has been conducted on this issue, particularly with a view to demonstrating the correlation between business/IT alignment and business performance. Studies by Chan et al. (1997) and Sabherwal and Chan (2001), for example, confirm the hypothesis that alignment between business and IT strategies improves business performance. Bergeron et al. (2004), on the other hand, argue that such research efforts tend to be too one-sided, because alignment, as defined by Henderson and Venkatram (1993), should also be seen to encompass operational business and IT processes. Still, despite this broader perspective, they too conclude that organisations with high alignment between business and IT strategies on the one hand and business and IT operational processes on the other ultimately achieve better outcomes. Such research findings provide an important addition to the debate initiated by Brynjolfson (1993) on the productivity paradox, where no correlation could be identified between the amount of investment in IT and business performance. They suggest that the alignment construct is an important intermediate variable or catalyst for business value creation from IT investments, as also stated by Shu and Strassmann (2005).

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