

Chapter 7

Alignment of IT Projects and Investments to Community Values

Marcus Vogt

Heilbronn University, Germany

Kieth Hales

Bond University, Australia

ABSTRACT

Information Technology (IT) investments and IT management have become increasingly important for an organization's success. The principles of IT Governance, the use of IT Governance Frameworks, the application of IT Portfolio Management, and IT Value Management are proven methodologies to lead private companies to a successful and efficient implementation of their ITT investments. However, due to the structure of public organizations, they seem to have their limits. This chapter shows the issues of IT Value Management in public organizations and discusses the usability of classic IT alignment methods.

INTRODUCTION AND GENERAL RESEARCH QUESTION

Due to increasing budget pressures and public calls for transparency, governmental institutions realize that they have to justify their IT (Information Technology) projects not only by costs but also by benefits for the community (Di Maio, 2003a; Sethibe, Campbell, & McDonald, 2007). The principles of IT Governance, the application of IT Portfolio Management and IT Value Management methods like Return On Investment (ROI), Pay-

back Period (PBP), or Net Present Value (NPV) are proven methodologies to lead private companies to a successful and efficient implementation of their IT investments. However, when applicable in public organizations they are limited in their use because of the different strategic goals and the non-commercial function of these organizations (Di Maio, 2003a, 2003b, 2003c, 2003d; Sethibe, Campbell, & McDonald, 2007). One can find a vast number of evaluation techniques for IT investments in the private sector but only a few in the public sector, because the public sector has its unique characteristics (Markov, 2006). Markov

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(2006) states in his paper that “future evaluations ... should grant the public value of IT a higher degree of interest” (p. 26). In his opinion “researchers and public administrators should rethink the value of internally-oriented financial metrics” and focus on “external benefits of deploying IT for stakeholders such as individual citizens, the business environment or society as a whole” (p. 26).

Therefore, one has to discuss which of these proven methodologies can be used and where they have to be adjusted to meet the non-commercial character of public organizations, particular in terms of their community or public value. This chapter will analyze relevant literature about IT Governance, IT Portfolio Management, and IT Value Management in terms of how they could be used and adjusted to align the IT Portfolio of a public organization to the community values.

Definition of IT Governance

IT Governance has inherited much from Corporate Governance and IT Management, but has developed into a discrete discipline (Simonsson & Johnson, 2006). There are still overlaps between the three disciplines, but as IT evolved over the time, its definition became ambiguous because of the various definitions of IT Governance in the literature. The most common ones are:

“IT Governance is the responsibility of the Board of Directors and executive management. It is an integral part of enterprise governance and consists of the leadership and organizational structures and processes that ensure that the organization’s IT sustains and extends the organization’s strategy and objectives” (ITGI, 2003, p. 10).

“IT Governance is the organizational 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” (Van Grembergen, 2002, p. 7).

“IT governance: Specifying the decision rights and accountability framework to encourage de-

sirable behavior in the use of IT” (Weill & Ross, 2004, p. 8).

These well-known definitions of IT Governance were taken to create a new working definition in the context of public organizations or governmental institutions, which will be used throughout this chapter:

IT Governance in public organizations is the responsibility of political or public representatives, executive managers, and IT managers of these institutions or political structures. It is an integrated part of their responsibility towards the society and political directives to ensure the reasonable, effective, and efficient use of IT to support public goals and interests.

According to Van Grembergen, De Haes, and Guldentops (2004) there are “two important elements of IT Governance: value delivery (which is the goal) and strategic alignment (which is the means)” (p. 18). The ITGI (2003) adds a third element “Risk Management” and a fourth element “Performance Measurement.” Both parts are equally important to balance the opportunities towards threats when a decision for an IT project or investment is made, however the fourth element “Performance Measurement” has its major part while the lifecycle of the IT investment or project.

Even though slightly different, Van Grembergen, De Haes and Guldentops (2004) are stressing that these definitions have one major thing in common: The link between business and IT; so called “alignment.” It is together with ‘compliance’ a main driver for IT Governance implementations in organizations. However, in this article compliance will not be discussed in depth since it is a too complex topic on its own.

Importance of IT Governance for public organizations

A critical factor for an organization’s success is to obtain competitive advantage, which is gener-

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