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Chapter XV

IT Governance as Strategic Alignment

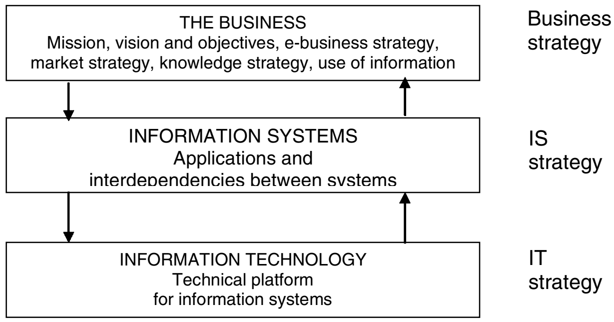
Strategy can simply be defined as principles, a broad based formula, to be applied in order to achieve a purpose. These principles are general guidelines guiding the daily work to reach business goals. Strategy is the pattern of resource allocation decisions made throughout the organization. These encapsulate both desired goals and beliefs about what are acceptable and, most critically, unacceptable means for achieving them.

Business Strategy and IS/IT Strategy

While the business strategy is the broadest pattern of resource allocation decisions, more specific decisions are related to information systems and information technology. IS must be seen both in a business and an IT context. IS is in the middle because IS supports the business while using IT.

Business strategy is concerned with achieving the mission, vision and objectives of a company, while IS strategy is concerned with use of IS/IT applications, and IT strategy is concerned with the technical infrastructure as illustrated in Figure 8.1. A company has typically several IS/IT applications. The connection between them is also of great

Figure 15.1. Relationships between strategies at three levels



interest, as interdependencies should prevent applications from being separate islands. Furthermore, the arrows in the illustration in Figure 15.1 are of importance. Arrows from business strategy to IS strategy, and from IS to IT strategy represent the alignment perspective, they illustrate the *what* before *how*. Arrows from IT to IS strategy, and from IS to business strategy represent the extension from *what* to *how* to *what*. This is the impact perspective, representing the potential impacts of modern information technology on future business options.

Necessary elements of a *business strategy* include mission, vision, objectives, market strategy, knowledge strategy, and our general approach to the use of information, information systems, and information technology.

Mission describes the reason for firm existence. For example, the reason for law firm existence is client's needs for legal advice. The mission addresses the organization's basic question of 'What business are we in?' This single, essential, sentence should include no quantification, but must unambiguously state the purpose of the organization and should, just as carefully define what the organization does not do. According to Ward and Griffiths (1996), the mission is an unambiguous statement of what the organization does and its long-term, overall purpose. Its primary role is to set a direction for everyone to follow. It may be short, succinct, and inspirational, or contain broad philosophical statements that tie an organization to certain activities and to economic, social, ethical, or political ends. Values are also frequently stated alongside the mission. Three differing examples of missions are: To help people move from one place to another; to provide medical treatment to sick people; and to enable electronic communication between people.

Vision describes what the firm wants to achieve. For example, the law firm wants to become the leading law firm in Norway. The vision represents the view that senior managers have for the future of the organization; so it is what they want it to become. This view gives a way to judge the appropriateness of all potential activities that the organization might engage in. According to Ward and Griffiths (1996), the vision gives a picture, frequently covering many aspects, which everyone can identify with, of what the business will be in the future, and how it will operate. It exists to bring objectives to

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