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IT STRATEGY MANAGEMENT CYCLE
PERTEMUAN 6

Chapter Outline

- Importance of IT and business environment

- Enablers and inhibitors to alignment

- Concept/importance of alignment maturity

- 5 levels of Strategic Alignment Maturity

- 6 Criteria that characterize levels of Strategic Alignment Model

- Assessing Strategic Alignment Maturity

- Strategic Alignment Process

Importance of Alignment

- Effectiveness
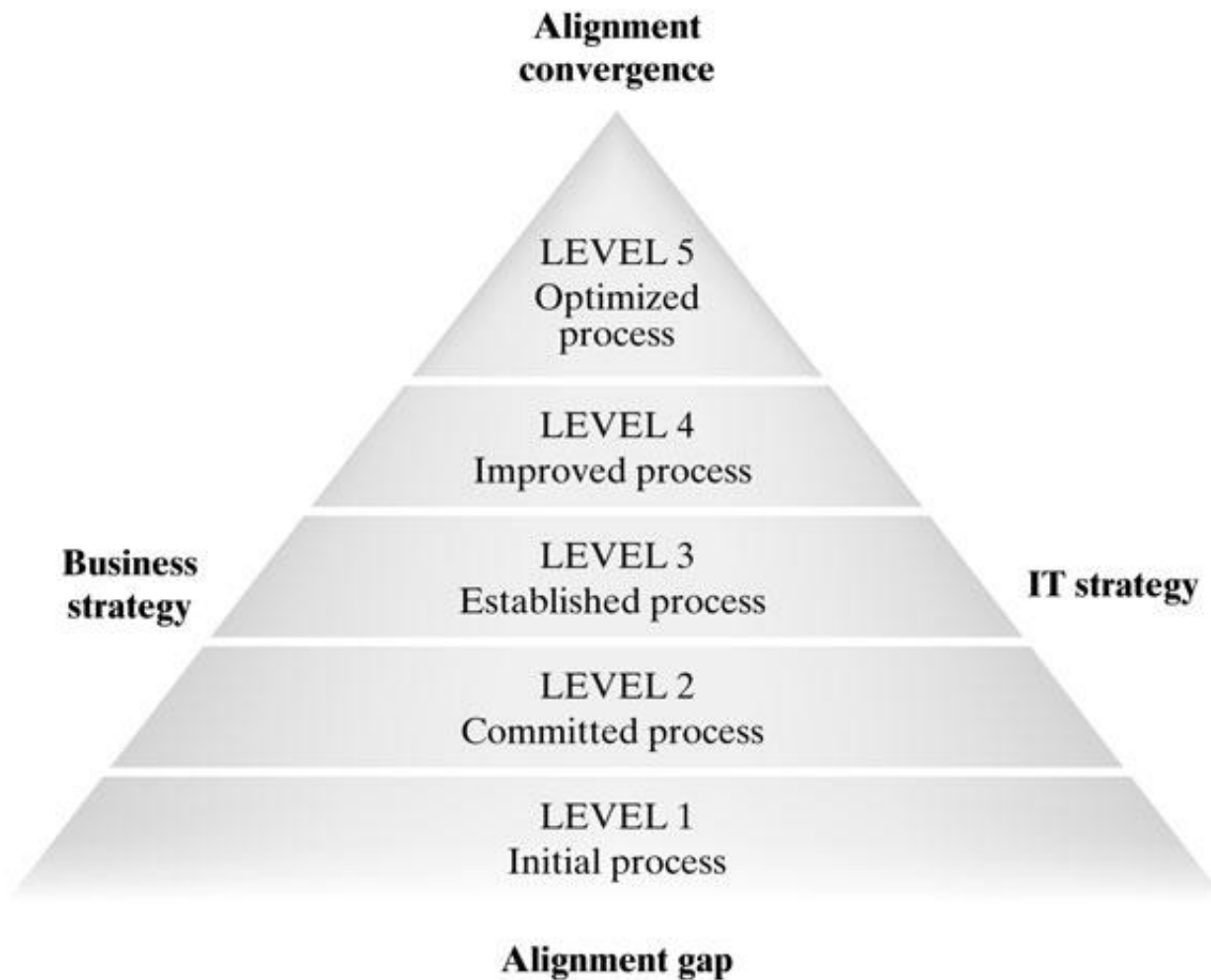- Efficiency
- Link Technology and Business

IT Management Should:

- Be knowledgeable about how new IT technologies can be integrated into business

- Be privy to senior management's tactical and strategic plans

- Be present when corporate strategies are discussed

- Understand strengths and weaknesses of technologies and implications

Strategic Alignment Maturity Levels

- Initial/Ad Hoc Process
  - Business and IT not aligned

- Committed Process
  - Organization commits to becoming aligned

- Established Focused Process
  - Established and Focused on business objectives

- Improved/Managed Process
  - Reinforcing concept of IT as "Value Center"

- Optimized Process
  - Integrated/Co-adaptive business and IT strategic planning

Figure 3.3 Convergence of Strategic Alignment Gaps.

Alignment convergence

LEVEL 5 Optimized process

LEVEL 4 Improved process

Business strategy   **LEVEL 3** Established process   **IT strategy**

LEVEL 2 Committed process
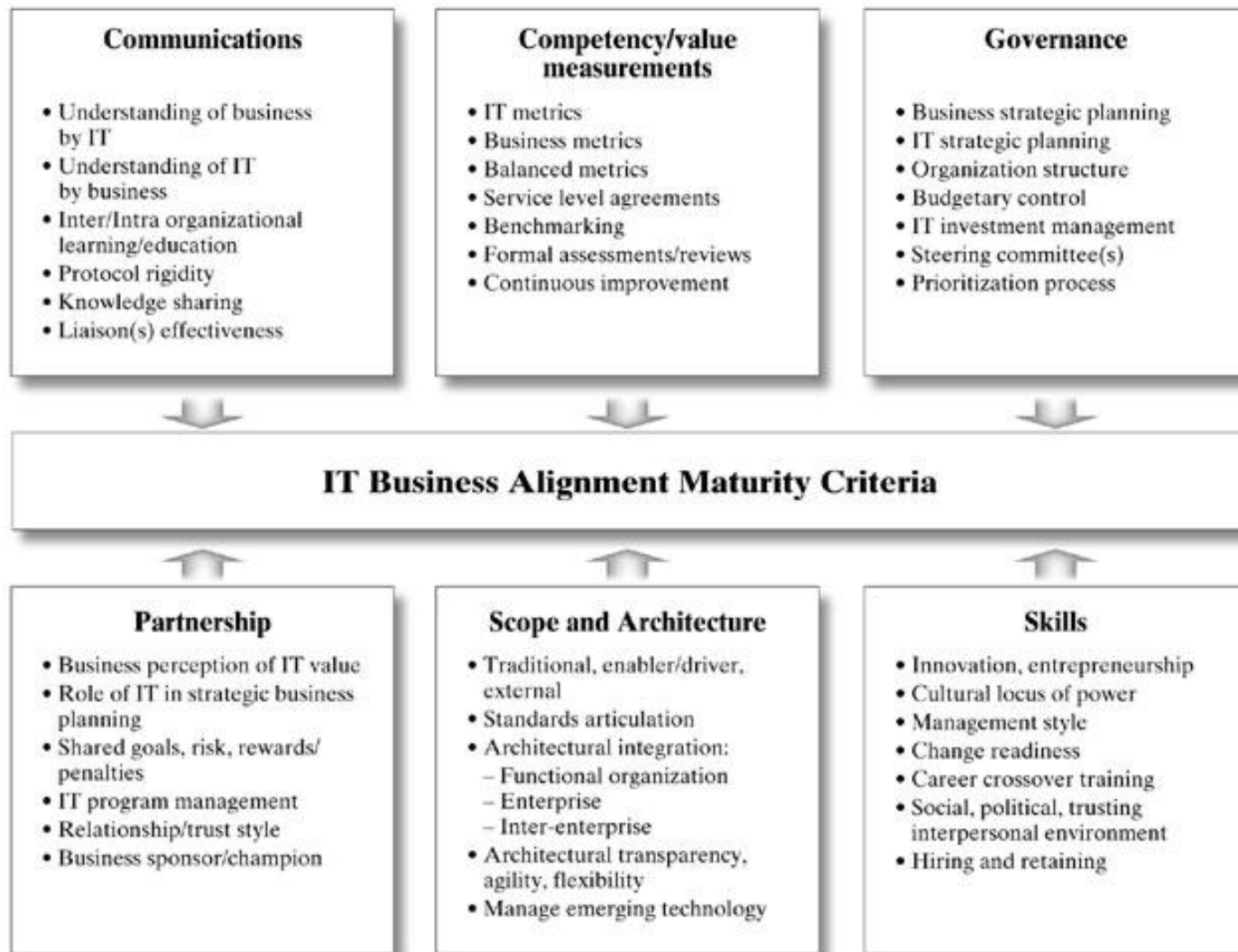
LEVEL 1 Initial process

Alignment gap

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Strategic Alignment Maturity Criteria

- Communications

- Competency/value measurements

- Governance

- Partnerships

- Scope and Architecture

- Skills

Figure 3.2 Strategic Alignment Maturity Criteria.

Communications

- Understanding of business by IT
- Understanding of IT by business
- Inter/Intra organizational learning/education
- Protocol rigidity
- Knowledge sharing
- Liaison(s) effectiveness

Competency/value measurements

- IT metrics
- Business metrics
- Balanced metrics
- Service level agreements
- Benchmarking
- Formal assessments/reviews
- Continuous improvement

Governance

- Business strategic planning
- IT strategic planning
- Organization structure
- Budgetary control
- IT investment management
- Steering committee(s)
- Prioritization process

IT Business Alignment Maturity Criteria

Partnership

- Business perception of IT value
- Role of IT in strategic business planning
- Shared goals, risk, rewards/penalties
- IT program management
- Relationship/trust style
- Business sponsor/champion

Scope and Architecture

- Traditional, enabler/driver, external
- Standards articulation
- Architectural integration:
  - Functional organization
  - Enterprise
  - Inter-enterprise
- Architectural transparency, agility, flexibility
- Manage emerging technology

Skills

- Innovation, entrepreneurship
- Cultural locus of power
- Management style
- Change readiness
- Career crossover training
- Social, political, trusting interpersonal environment
- Hiring and retaining

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Primary Objective of Assessment:

- Agree that criterion needs to be improved

- Agree that a criterion is good, but can be better

- Disagree with how good/bad a criterion is

Communications

- Ensure ongoing knowledge sharing

- Use people in formal inter-unit liaison roles

- Cooperation among business-IT partners

- Trust and openness between units and IT

Competency/Value Measurements

- Service levels that assess commitment of IT
- Tie service levels to criteria
- Take action based on measurements of performance factors
- Understand factors that lead to missing criteria
- Understand what can be learned to improve the environment continuously

Governance

- Clearly defined decision-making authority

- Integrated enterprise-wide strategic business plan

Partnership

- Relationship between business and IT organizations
- Give IT function equal role in defining business strategy
- Perception of contributions
- Partnership should enable and drive change

Scope and Architecture

- Go beyond back office and into front office
- Assume role supporting flexible infrastructure
- Evaluate and apply emerging technologies effectively
- Enable or drive business processes and strategies
- Provide solutions customizable to customer needs

Skills

- Include all human resource considerations for organization
- Consider cultural and social environment

Level 1 – Initial/Ad Hoc Process

- Lowest level of strategic alignment
- Understanding of IT by business is low
- Investment in IT is underleveraged

Level 1

Communications

Attribute	Characteristics
• Understanding of business by IT	Minimum
• Understanding of IT by business	Minimum
• Inter/intra-organizational learning	Casual, ad-hoc
• Protocol rigidity	Command and control
• Knowledge sharing	Ad-hoc
• Liaison(s) breadth/effectiveness	None or ad-hoc

Competency/value measurements

Attribute	Characteristics
• IT metrics	Technical; not related to business
• Business metrics	Ad-hoc; not related to IT
• Balanced metrics	Ad-hoc unlinked
• Service level agreements	Sporadically present
• Benchmarking	Not generally practiced
• Formal assessments/reviews	None
• Continuous improvement	None

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Level 1

Governance

Attribute	Characteristics
• Business strategic planning	Ad-hoc
• IT strategic planning	Ad-hoc
• Reporting/organization structure	Central/decentral; CIO reports to CFO
• Budgetary control	Cost center; erratic spending
• IT investment management	Cost-based; erratic spending
• Steering committee(s)	Not formal/regular
• Prioritization process	Reactive

Partnership

Attribute	Characteristics
• Business perception of IT; value IT	Perceived as a cost of business
• Role of IT in strategic business planning	No seat at the business table
• Shared goals, risk, rewards/penalties	IT takes risk with little reward
• IT program management	Ad-hoc
• Relationship/trust style	Conflict/minimum
• Business sponsor/champion	None

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Level 1

Scope and architecture

Attribute	Characteristics
• Traditional, enabler/driver, external	Traditional (e.g., accounting, e-mail)
• Standards articulation	None or ad-hoc

• Architectural integration:
  – Functional organization
  – Enterprise
  – Inter-enterprise
	No formal integration

• Architectural transparency, flexibility	None

Skills

Attribute	Characteristics
• Innovation, entrepreneurship	Discouraged
• Locus of power	In the business
• Management style	Command and control
• Change readiness	Resistant to change
• Career crossover	None
• Education, cross-training	None

• Social, political, trusting environment
  Interpersonal
  Environment
	Social, political, trusting
	Minimum
	Minimum

• Attract and retain best talent	No program

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Level 2 – Committed Process

- Committed to begin process for Strategic Alignment Maturity
- View IT as an asset to the organization
- Directed at local situations or functional organizations
- Alignment at the level is difficult to achieve
- Potential opportunities are recognized

Level 2

Communications

Attribute	Characteristics
• Understanding of business by IT	Limited IT awareness
• Understanding of IT by business	Limited business awareness
• Inter/intra-organizational learning	Informal
• Protocol rigidity	Limited, relaxed
• Knowledge sharing	Semi-structured (some formal processes) for sharing knowledge
• Liaison(s) breadth/effectiveness	Limited tactical technology based

Competency/value measurements

Attribute	Characteristics
• IT metrics	Cost efficiency
• Business metrics	At the functional organization
• Balanced metrics	Business and IT metrics unlinked
• Service level agreements	Technical at the functional level
• Benchmarking	Informal
• Formal assessments/reviews	Some, typically for problems
• Continuous improvement	Minimum

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Governance

Attribute	Characteristics
• Business strategic planning	Basic planning at the functional level
• IT strategic planning	Functional tactical planning
• Reporting/organization structure	Central/decentralized, some co-location; CIO reports to CFO
• Budgetary control	Cost center by functional organization
• IT investment management	Cost-based; operations/maintenance focus
• Steering committee(s)	Periodic organized communication
• Prioritization process	Occasional responsive

Partnership

Attribute	Characteristics
• Business perception of IT value	IT emerging as an asset
• Role of IT in strategic business planning	Business process enabler
• Shared goals, risk, rewards/penalties	IT takes most of the risk with little reward
• IT program management	Standards defined
• Relationship/trust style	Primarily transactional
• Business sponsor/champion	Limited at the functional organization

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Skills

Attribute	Characteristics
• Innovation, entrepreneurship	Dependent on functional organization
• Locus of power	Functional organization
• Management style	Results consensus-based
• Change readiness	Dependent on functional organization
• Career crossover	Minimum
• Education, cross-training	Minimum
• Social, political, trusting, interpersonal	Primarily transactional environment
• Attract and retain best talent	Technology focused

Scope and architecture

Attribute	Characteristics
• Traditional, enabler/driver, external	Transaction (e.g., ESS, DSS)
• Standards articulation	Standards defined
• Architectural integration:	
– Functional organization	Early attempts at integration
– Enterprise	Early attempts at integration
– Inter-enterprise	Early concept testing
• Architectural transparency, flexibility	Limited

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Level 3 – Established Focused Process

- Concentrates on governance, processes, and communications toward specific business objectives

- Needs better governance to invest IT dollars

- Focus on business processes that generate long-lasting competitive advantage

- Effectively communicate its vision and get "buy-in" from employees and management

Level 3

Communications

Attribute	Characteristics
• Understanding of business by IT	Senior and mid-management
• Understanding of IT by business	Emerging business awareness
• Inter/intra-organizational learning	Regular, clear
• Protocol rigidity	Emerging relaxed
• Knowledge sharing	Structured around key processes
• Liaison(s) breadth/effectiveness	Formalized, regular meetings

Competency/value measurements

Attribute	Characteristics
• IT metrics	Traditional financial
• Business metrics	Traditional financial
• Balanced metrics	Emerging business and IT metrics linked
• Service level agreements	Emerging across the enterprise
• Benchmarking	Emerging
• Formal assessments/reviews	Emerging formality
• Continuous improvement	Emerging

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Level 3

Governance

Attribute	Characteristics
• Business strategic planning	Some inter-organizational planning
• IT strategic planning	Focused planning, some inter-organizational
• Reporting/organization structure	Structure central/decentralized, some federation; CIO reports to COO
• Budgetary control	Cost center; some investments
• IT investment management	Traditional; process enabler
• Steering committee(s)	Regular clear communication
• Prioritization process	Mostly responsive

Partnership

Attribute	Characteristics
• Business perception of IT value	IT seen as an asset
• Role of IT in strategic business planning	Business process enabler
• Shared goals, risk, rewards/penalties	Risk tolerant; IT some reward
• IT program management	Standards adhered
• Relationship/trust style	Emerging valued service provider
• Business sponsor/champion	At the functional organization

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Level 3

Governance

Attribute	Characteristics
• Business strategic planning	Some inter-organizational planning
• IT strategic planning	Focused planning, some inter-organizational
• Reporting/organization structure	Structure central/decentralized, some federation; CIO reports to COO
• Budgetary control	Cost center; some investments
• IT investment management	Traditional; process enabler
• Steering committee(s)	Regular clear communication
• Prioritization process	Mostly responsive

Partnership

Attribute	Characteristics
• Business perception of IT value	IT seen as an asset
• Role of IT in strategic business planning	Business process enabler
• Shared goals, risk, rewards/penalties	Risk tolerant; IT some reward
• IT program management	Standards adhered
• Relationship/trust style	Emerging valued service provider
• Business sponsor/champion	At the functional organization

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Level 4 – Improved/Managed Process

- Leverage IT assets on an enterprise-wide basis
- Focus on driving business process enhancements to gain competitive advantage
- Views IT as an innovative and imaginative strategic contributor
- Capitalize on information and knowledge
- Utilize IT assets by deploying enterprise-wide architecture

Level 4

Communications

Attribute	Characteristics
• Understanding of business by IT	Pushed down through organization
• Understanding of IT by business	Business aware of potential
• Inter/Intra-organizational learning	Unified, bonded
• Protocol rigidity	Relaxed, informal
• Knowledge sharing	Institutionalized
• Liaison(s) breadth/effectiveness	Bonded, effective at all internal levels

Competency/value measurements

Attribute	Characteristics
• IT metrics	Cost effectiveness
• Business metrics	Customer-based
• Balanced metrics	Business and IT metrics linked
• Service level agreements	Enterprise-wide
• Benchmarking	Routinely performed
• Formal assessments/reviews	Formally performed
• Continuous improvement	Frequently

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Level 4

Governance

Attribute	Characteristics
• Business strategic planning	Managed across the enterprise
• IT strategic planning	Managed across the enterprise
• Organizational reporting structure	Federated; CIO reports to COO or CEO
• Budgetary control	Investment center
• IT investment management	Cost effectiveness; process driver
• Steering committee(s)	Formal, effective committees
• Prioritization process	Value add, responsive

Partnership

Attribute	Characteristics
• Business perception of IT value	IT is seen as a driver/enabler
• Role of IT in strategic business planning	Business strategy enabler/driver
• Shared goals, risk, rewards/penalties	Risk acceptance and rewards shared
• IT program management	Standards evolve
• Relationship/trust style	Valued service provider
• Business sponsor/champion	At the HQ level

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Level 4

Skills

Attribute	Characteristics
• Innovation, entrepreneurship	Enterprise, partners, and IT managers
• Locus of power	Across the organization
• Management style	Profit/value based
• Change readiness	High, focused
• Career crossover	Across the functional organization
• Education, cross-training	At the functional organization
• Social, political, trusting interpersonal environment	Achieved among IT and business
• Social, political, trusting environment	Valued service provider
• Attract and retain best talent	Formal program for hiring and retaining

Scope and architecture

Attribute	Characteristics
• Traditional, enabler/driver, external	Redefined scope (business process driver)
• Standards articulation	Enterprise standards
• Architectural integration:	Integrated with partners
– Functional organization	Integrated
– Enterprise	Standard enterprise architecture
– Inter-enterprise	With key partners
• Architectural transparency, flexibility	Emerging across the organizations

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Level 5

Communications

Attribute	Characteristics
• Understanding of business by IT	Pervasive
• Understanding of IT by business	Pervasive
• Inter/Intra-organizational learning	Strong and structured
• Protocol rigidity	Informal
• Knowledge sharing	Extra-enterprise
• Liaison(s) breadth/effectiveness	Extra-enterprise

Competency/value measurements

Attribute	Characteristics
• IT metrics	Extended to external partners
• Business metrics	Extended to external partners
• Balanced metrics	Business, partner, and IT metrics
• Service level agreements	Extended to external partners
• Benchmarking	Routinely performed with partners
• Formal assessments/reviews	Routinely performed
• Continuous improvement	Routinely performed

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Level 5

Governance

Attribute	Characteristics
• Business strategic planning	Integrated across and outside the enterprise
• IT strategic planning	Integrated across and outside the enterprise
• Organizational reporting structure	Federated; CIO reports to CEO
• Budgetary control	Investment center; profit center
• IT investment management	Business value; extended to business partners
• Steering committee(s)	Partnership
• Prioritization process	Value added partner

Partnership

Attribute	Characteristics
• Business perception of IT value	IT co-adapts with the business
• Role of IT in strategic business planning	Co-adaptive with the business
• Shared goals, risk, rewards/penalties	Risk and rewards shared
• IT program management	Continuous improvement
• Relationship/trust style	Valued partnership
• Business sponsor/champion	At the CEO level

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Level 5

Skills

Attribute	Characteristics
• Innovation, entrepreneurship	The norm
• Locus of power	All executives, including CIO and partners
• Management style	Relationship-based
• Change readiness	High, focused
• Career crossover	Across the enterprise
• Education, cross-training	Across the enterprise
• Social, political, trusting interpersonal environment	Extended to external customers and partners
• Social, political, trusting environment	Valued partnership
• Attract and retain best talent	Effective program for hiring and retaining

Scope and architecture

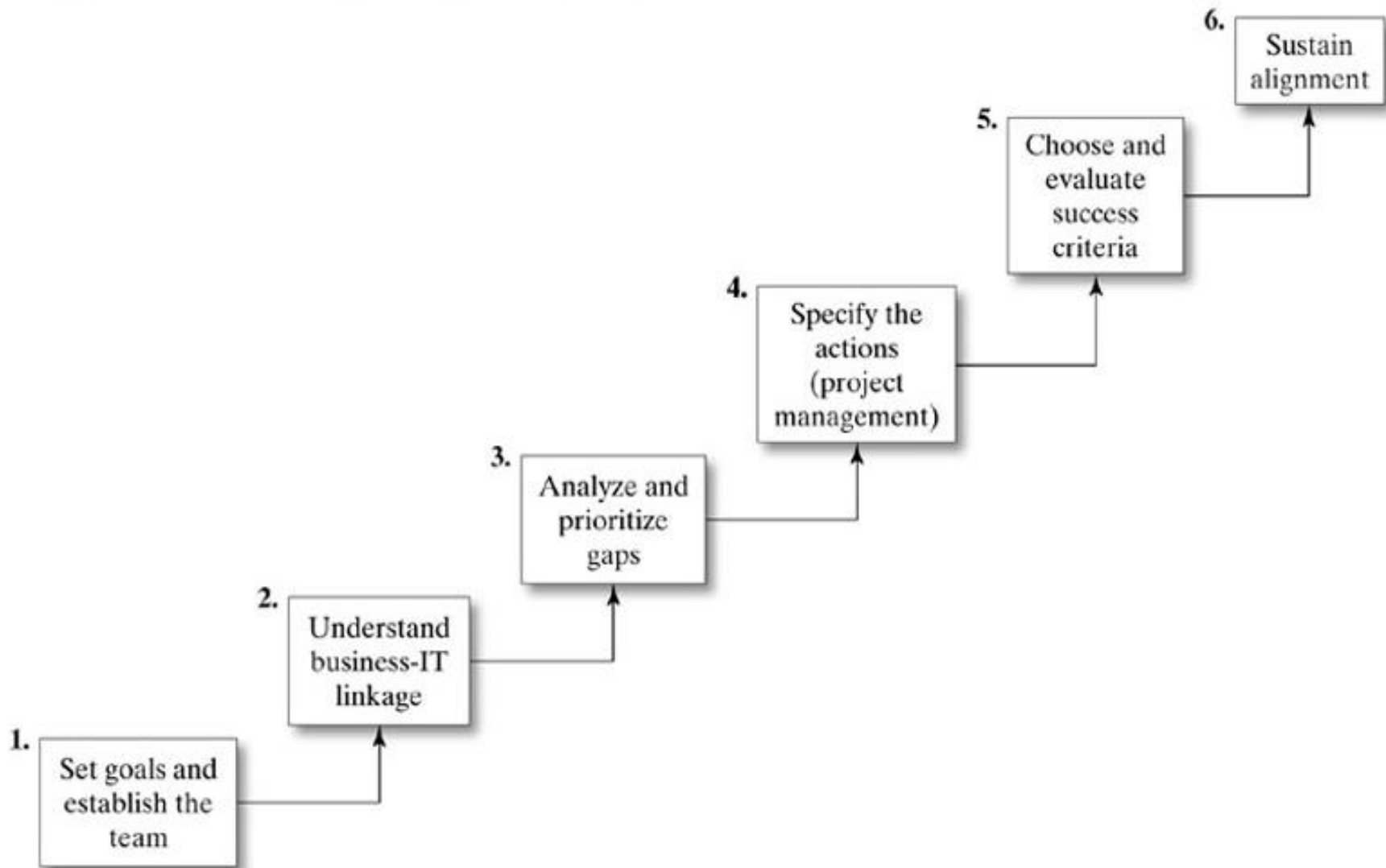| Attribute	Characteristics
• Traditional, enabler/driver, external	External scope; business strategy driver/enabler
• Standards articulation	Inter-enterprise standards
• Architectural integration:	Evolve with partners
– Functional organization	Integrated
– Enterprise standard	Enterprise architecture
– Inter-enterprise	With all partners
• Architectural transparency, flexibility	Across the infrastructure

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Assessing Strategic Alignment Maturity

- This does not fit the organization, or the organization is not very effective

- Low level of fit for the organization

- Moderate fit for the organization, or the organization is moderately effective

- Fits most of the organization

- Strong level of fit throughout the organization, or the organization is effective

Strategic Alignment Process

- Set the Goals and Establish a Team

- Understand the Business-IT Logic

- Analyze and Prioritize Gaps

- Specify the Actions (Project Management)

- Choose and Evaluate Success Criteria

- Sustain Alignment

6. Sustain alignment

5. Choose and evaluate success criteria

4. Specify the actions (project management)

3. Analyze and prioritize gaps

2. Understand business-IT linkage

1. Set goals and establish the team

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