Alignment Business Goal and IT Goal

[GREM2] Chap 1

Dr. Ir. Yeffry Handoko Putra, M.T

❖**IT Management**:
focused on the effective and efficient internal supply of IT services and products and the management of present IT operations
∴ Job for **IT Manager**

❖**IT Governance**:
much broader and concentrates on performing and transforming IT to meet present and future demands of the business (internal focus) and business customers (external focus)
∴ Job for **Chief Information Officer**

IT Goals	1. Improve customer orientation and service	2. Provide compliance with external laws and regulations	3. Establish service continuity and availability	4. Manage IT related business risk	5. Offer competitive products and services	6. Improve and maintain business process functionality	7. Provide a good return on investment of IT related business investments	8. Acquire, develop and maintain skilled and motivated people	9. Create agility in responding to changing business requirements	10. Obtain reliable and useful information for strategic decision making	11. Achieve cost optimisation of service delivery	12. Optimise business process costs	13. Enable and manage business change	14. Improve and maintain operational and staff productivity	15. Improve financial transparency	16. Provide compliance with internal policies	17. Identify, enable and manage product innovation
1. Align the IT strategy to the business strategy	P	S	S	P	P	P	S	S	P	P	S	S	P	S	S	S	P
2. Maintain the security (confidentiality, integrity and availability) of information and processing infrastructure	P	P	P	P		S				S						P	
3. Make sure that IT services are available and secure	P	P	P	P	S	S	S		S	S	S	S	S	S		S	
4. Provide service offerings and service levels in line with business requirements	P		P	S	P	P	S		S	S	S	S	S	S		S	S
5. Provide IT compliance with laws and regulations	S	P		P	S		S								S	P	
6. Translate business functional and control requirements in effective and efficient automated solutions	S		S	S	S	P		S	S	S	S	S	S	S		S	S
7. Deliver projects on time and on budget meeting quality standards	S			S	S	S	S		S		S	S	S		S		
8. Drive commitment and support of executive management	S			S	S	S		S	S	S			S			S	S
9. Improve IT's cost-efficiency					S		P				P	P			S		
10. Account for and protect all IT assets		S	S	S			S				S				S		
11. Acquire, develop and maintain IT skills that respond to the IT strategy	S			S			P	S		S		S	S				S
12. Provide IT agility (in responding to changing business needs)	S			S	S	S			P			P					S
13. Offer transparency and understanding of IT costs, benefits and risks				S			S				S	S		P			
14. Optimise the IT infrastructure, resources and capabilities		S		S		P		S		P	S		S				
15. Accomplish proper use of applications, information and technology solutions	S		S	S	S	S	S		S	S	S	S	S	S		S	
16. Seamlessly integrate applications and technology solutions in business processes	S				S	P	S		S	S	S	S	S	S			S
17. Ensure that IT demonstrates continuous improvement and readiness for future change					S	S		S	P				S				P
18. Acquire knowledge and expertise in emerging technologies for business innovation and optimisation					S	S		P	S	S			S	S			P

Fig. 1.14 Linking IT goals to business goals

3

❖ Business/IS Alignment

❖ Aligning Business Goals and IT Goals

❖ IS /IT Governance:
Alignment of of IS/IT with the business: the strategic fit and functional integration among business strategy, IT strategy, business structures and IT structures
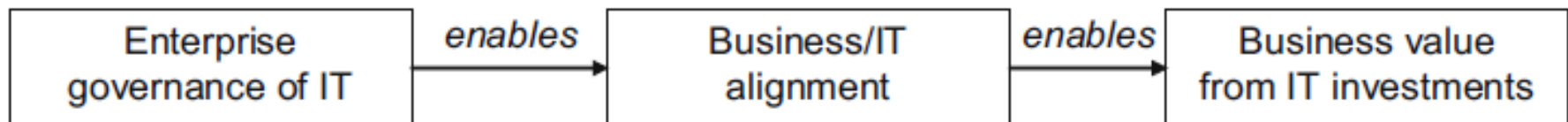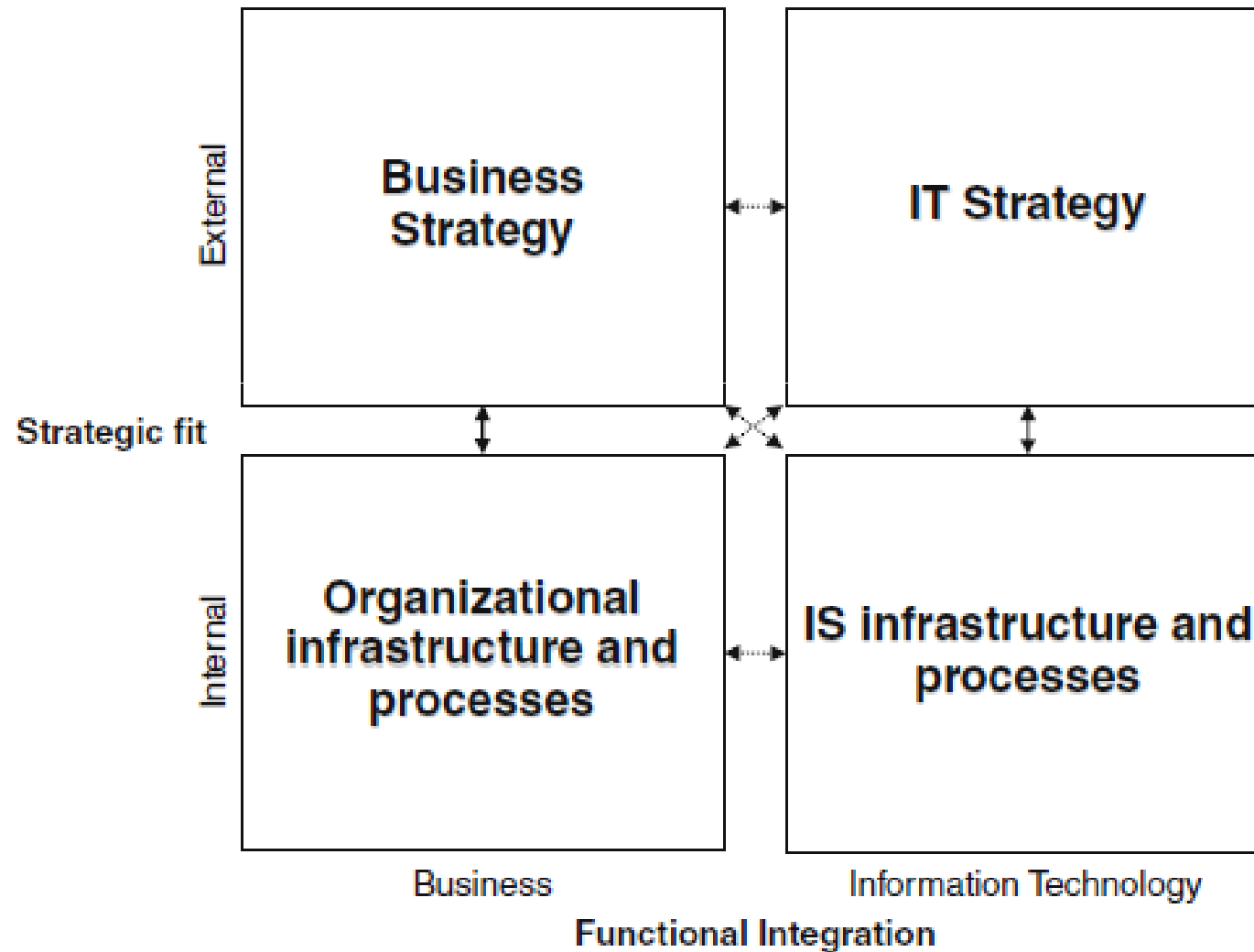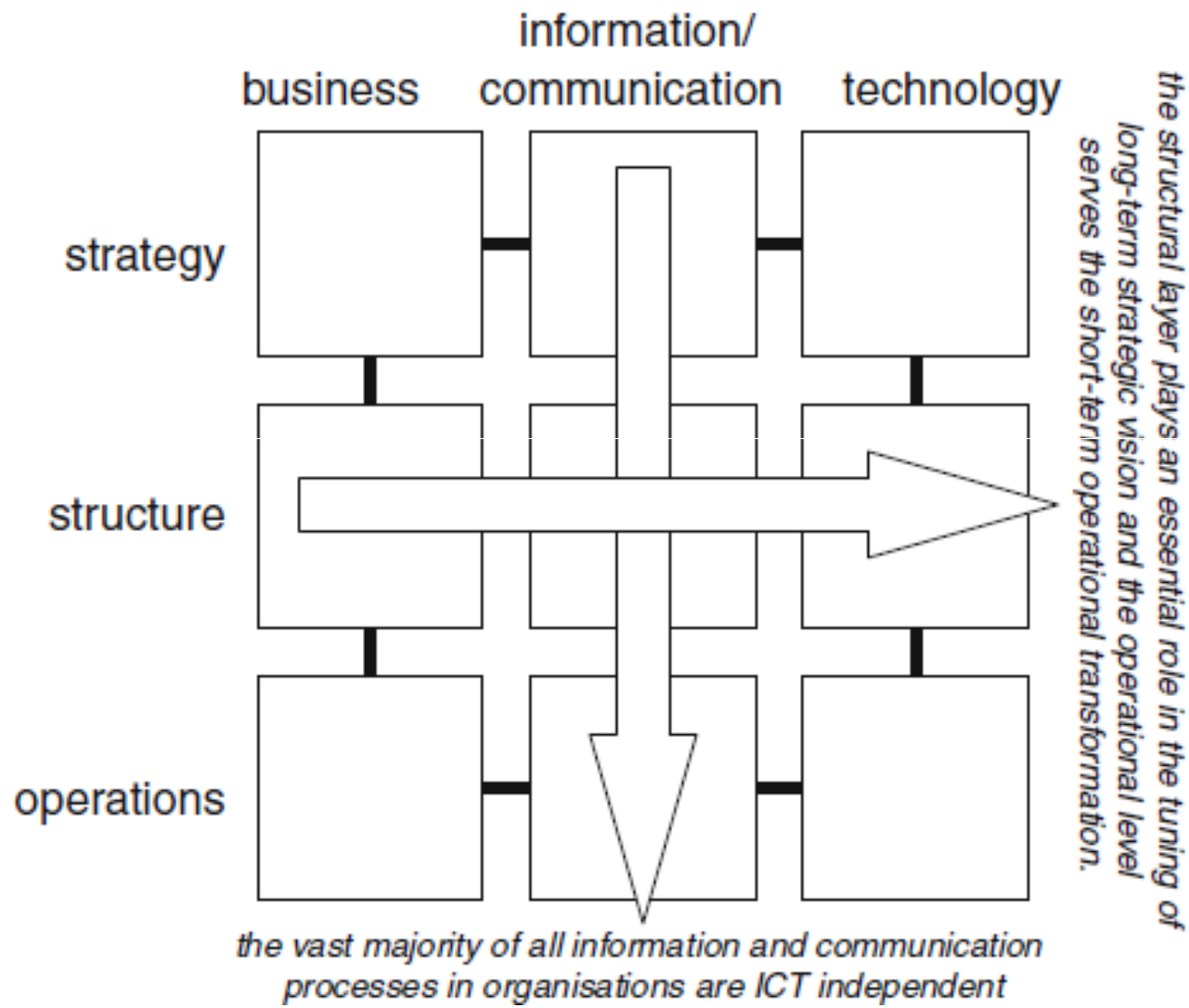

Fig. 1.6 Enterprise Governance of IT, business/IT alignment and business value

Strategic Alignment Model (SAM)
Henderson dan Venkrataman

the vast majority of all information and communication processes in organisations are ICT independent

Business/IT alignment principles

- IT is a professional organization that effectively and efficiently manages its resources in alignment with the needs of the organization.

- IT is the exclusive provider of IT services. Outsourcing is always organized in joint partnership between business and IT.

- IT is pro-actively engaged in further developing and innovating the organization.

- IT primarily develops and maintains competencies that are aligned to and required for supporting the expertise available in the organization.

- The priorities within IT are aligned to the strategic goals of the organizations through integrated planning cycles.

- All IT applications comply with rules and policies as mutually agreed upon by business and IT.

- IT is pro-actively engaged in reviewing and designing efficient business processes.

- IT and the business collaborate based on fixed agreements. Based on a scope definition, impact analysis and capacity reviews, both business and IT commit for timely delivery within quality requirements.

- There is transparency on the required service quality that IT has to deliver to the business, and this service quality is continuously monitored.

- Starting from the initial development of a new business project, the potential impact on IT needs to be analyzed.

8
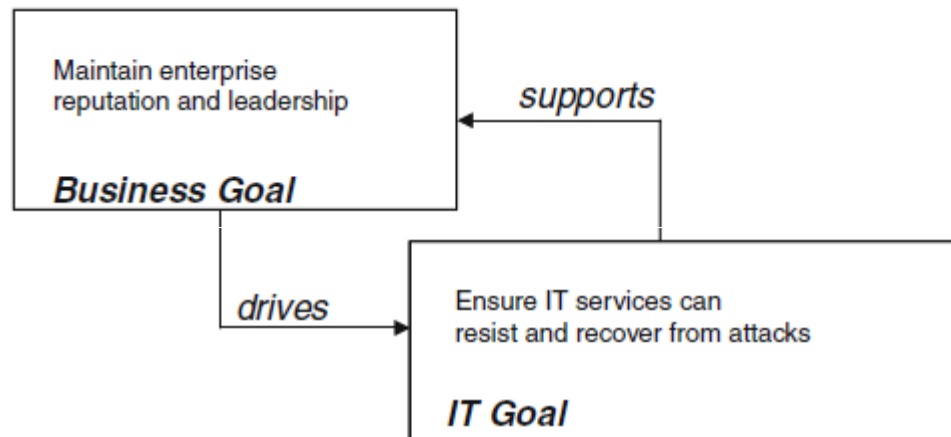
objective of this new research was

- to validate these lists for completeness, consistency and clarity,

- to gain more insight into goals priorities for different sectors and

- to examine the relationship between IT goals and business goals.

RESEARCH BOX: DOING DELPHI RESEARCH ON DEFINING AND LINKING BUSINESS GOALS AND IT GOALS

Business Goals	IT Goals
Financial perspective • Manage (IT related) business risks • Provide a good return on investment of (IT enabled) business investments • Improve financial transparency • Comply with external laws and regulations	**Corporate contribution** • Offer transparency and understanding of IT cost, benefits and risks • Provide IT compliance with laws and regulations • Account for and protect all IT assets • Drive commitment and support of executive management • Improve IT's cost-efficiency • Align the IT strategy to the business strategy
Customer perspective • Improve customer orientation and service • Establish service continuity and availability • Offer competitive products and services • Achieve cost optimization of service delivery • Create agility in responding to changing business requirements • Obtain reliable and useful information for strategic decision making	**User orientation** • Make sure that IT services are reliable and secure • Provide service offerings and service levels in line with business requirements • Translate business functional and control requirements in effective and efficient automated solutions • Accomplish proper use of applications, information and technology solutions

Internal perspective	Operational excellence
• Improve and maintain business process functionality • Improve and maintain operational and staff productivity • Enable and Manage business change • Comply with internal policies • Optimize business process costs	• Maintain the security (confidentiality, integrity and availability) of information and processing infrastructure • Deliver projects on time and on budget meeting quality standards • Optimize the IT infrastructure, resources and capabilities • Provide IT agility (in responding to changing business needs) • Seamlessly integrate applications and technology solutions into business processes
Learning and growth perspective	Future orientation
• Acquire, develop and maintain skilled and motivated people • Identify, enable and manage product and business innovation	• Acquire, develop and maintain IT skills that respond to the IT strategy • Acquire knowledge and expertise in emerging technologies for business innovation and optimization • Ensure that IT demonstrates continuous improvement and readiness for future change

Top 10 list of business goals and IT goals

Top 10 prioritized list of business goals	Top 10 prioritized list of IT goals
1. Improve customer orientation and service	1. Align the IT strategy to the business strategy
2. Comply with external laws and regulations	2. Maintain the security (confidentiality, integrity and availability) of information and processing infrastructure
3. Establish service continuity and availability	3. Make sure that IT services are reliable and secure
4. Manage (IT related) business risks	4. Provide service offerings and service levels in line with business requirements
5. Offer competitive products and services	5. Provide IT compliance with laws and regulations
6. Improve and maintain business process functionality	6. Translate business functional and control requirements in effective and efficient automated solutions
7. Provide a good return on investment of (IT enabled) business investments	7. Deliver projects on time and on budget meeting quality standards
8. Acquire, develop and maintain skilled and motivated people	8. Drive commitment and support of executive management
9. Create agility in responding to changing business requirements	9. Improve IT's cost-efficiency
10. Obtain reliable and useful information for strategic decision making	10. Account for and protect all IT assets

Business Goals:
1. Improve customer orientation and service
2. Provide compliance with external laws and regulations
3. Establish service continuity and availability
4. Manage IT related business risk
5. Offer competitive products and services
6. Improve and maintain business process functionality
7. Provide a good return on investment of IT (related) business investment
8. Acquire, develop and maintain skilled and motivated people
9. Create agility in responding to changing business requirement
10. Obtain reliable and useful information for strategic decision making
11. Achieve cost optimisation find service delivery
12. Optimise business process costs
13. Enable and manage business change
14. Improve and maintain operational and staff productivity
15. Improve financial transparency
16. Provide compliance with internal policies
17. Identify, enable and manage product innovation

| IT Goals	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
1. Align the IT strategy to the business strategy	P	S	S	P	P	P	S	S	P	P	S	S	P	S	S	S	P
2. Maintain the security (confidentiality, integrity and availability) of information and processing infrastructure	P	P	P	P		S				S						P	
3. Make sure that IT services are available and secure	P	P	P	P	S	S	S		S	S	S	S	S	S		S	
4. Provide service offerings and service levels in line with business requirements	P		P	S	P	P	S		S	S	S	S	S	S		S	S
5. Provide IT compliance with laws and regulations	S	P		P	S		S								S	P	
6. Translate business functional and control requirements in effective and efficient automated solutions	S		S	S	S	P		S	S	S	S	S	S	S		S	S
7. Deliver projects on time and on budget meeting quality standards	S			S	S	S	S		S		S	S	S		S		
8. Drive commitment and support of executive management	S			S	S	S		S	S	S			S			S	S
9. Improve IT's cost-efficiency				S		P				P	P			S			
10. Account for and protect all IT assets		S	S	S			S				S			S			
11. Acquire, develop and maintain IT skills that respond to the IT strategy	S			S				P	S		S		S	S			S
12. Provide IT agility (in responding to changing business needs)	S			S	S	S			P				P				S
13. Offer transparency and understanding of IT costs, benefits and risks				S			S				S	S			P		
14. Optimise the IT infrastructure, resources and capabilities		S			S		P		S		P	S		S			
15. Accomplish proper use of applications, information and technology solutions	S		S	S	S	S	S		S	S	S	S	S	S		S	
16. Seamlessly integrate applications and technology solutions in business processes	S			S	P	S		S	S	S	S	S	S				S
17. Ensure that IT demonstrates continuous improvement and readiness for future change				S	S		S	P				S					P
18. Acquire knowledge and expertise in emerging technologies for business innovation and optimisation				S	S		P	S	S			S	S				P

Fig. 1.14 Linking IT goals to business goals

❖ Business value will only be created when new and adequate business processes are designed and executed, enabling the sales people of the organization to increase turnover and profit

❖ Business value from IT investments cannot be realized by IT, but will always be created at the business side. *For example*, there will be no business value created when IT delivers a new CRM application on time, on budget and within functionalities, and afterward when the business is not integrating the new IT system into its business operations.

❖ Did business and IT alignment improves business performance?
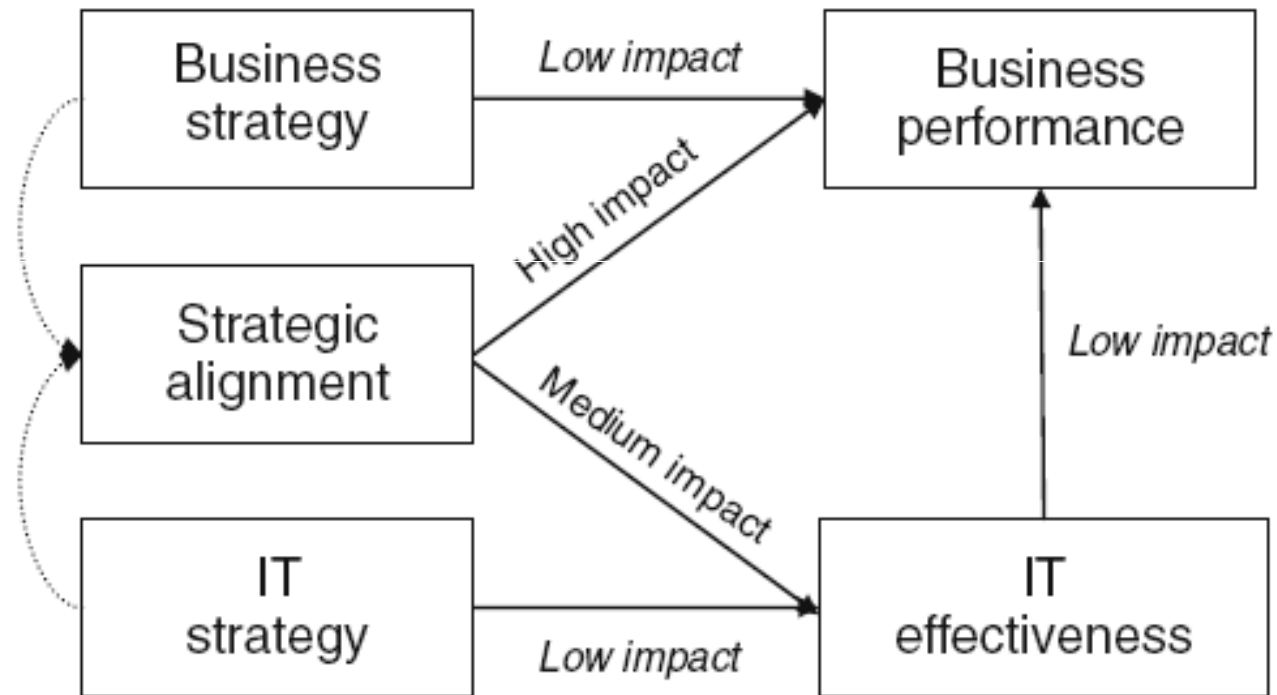
Adapted from: Chan et al. (1997), Business Strategy Orientation, Information Systems Orientation and Strategic Alignment, Information Systems Research, vol. 8, no. 2.

no clear correlation could be identified between the amount of investment in IT and business performance.

THE PRODUCTIVITY PARADOX FROM BRYNJOLFSON

❖ How applying governance practices can enable the achievement of IT goals which in turn enable the achievement of business goals and consequently business benefits?