

Creating Value through IT and Business Alignment

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The Promise of Information Technologies

- Enabler of superior performance
 - Productivity
 - Consumer welfare
 - Profitability
- Digital Options Platform
 - Transaction capital
 - Decision capital
 - Intellectual capital
 - Relational capital



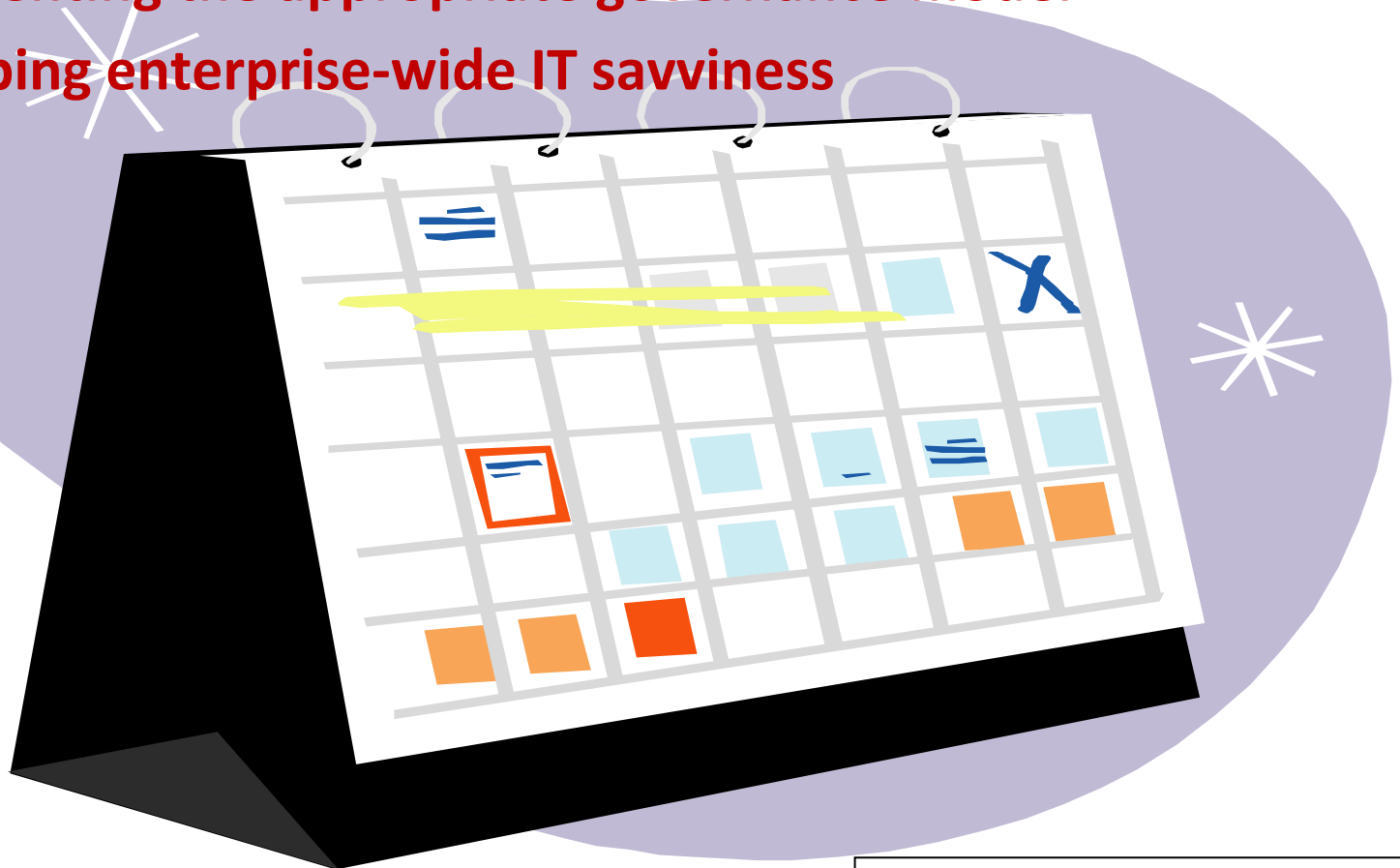
Yet, Dispersion in IT Value Across Firms

- Significant differences across firms and industries
- Exemplars in different industries
 - Success with IT innovation
- Frustration with IT investments
 - Failed projects
 - Poor alignment



Organizational Leverage of IT Value

- Three significant challenges
 - **Building the right alignment model**
 - **Implementing the appropriate governance model**
 - **Developing enterprise-wide IT savviness**

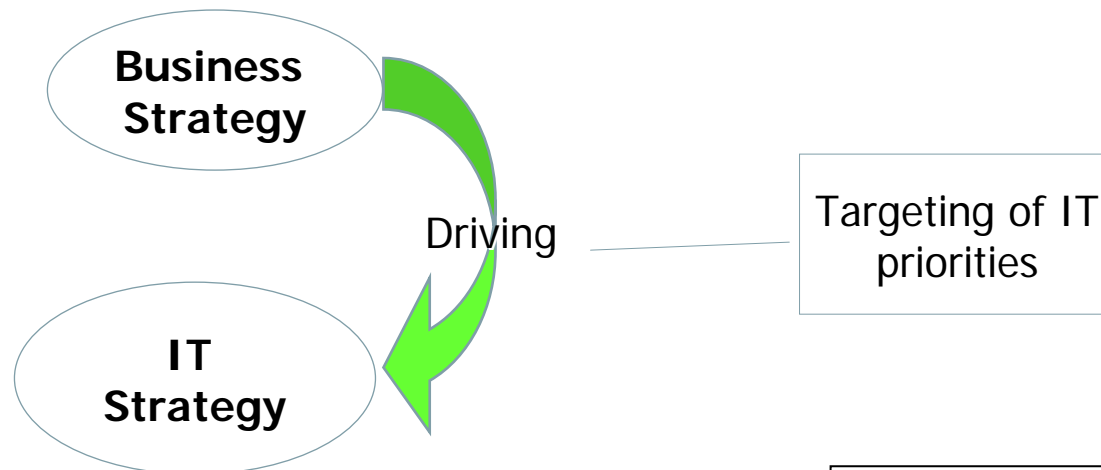


What is Alignment?

- Strategic alignment reflects the ability of a firm to convert its IT spending into business value and competitive advantage
- Strategic alignment results from the planned, ongoing use of a set of interlocking business practices that collectively derive superior value from IT investments
- An outcome of alignment are portfolios of IT investments, projects, and installed information systems that reflects a firm's strategic priorities of the firm

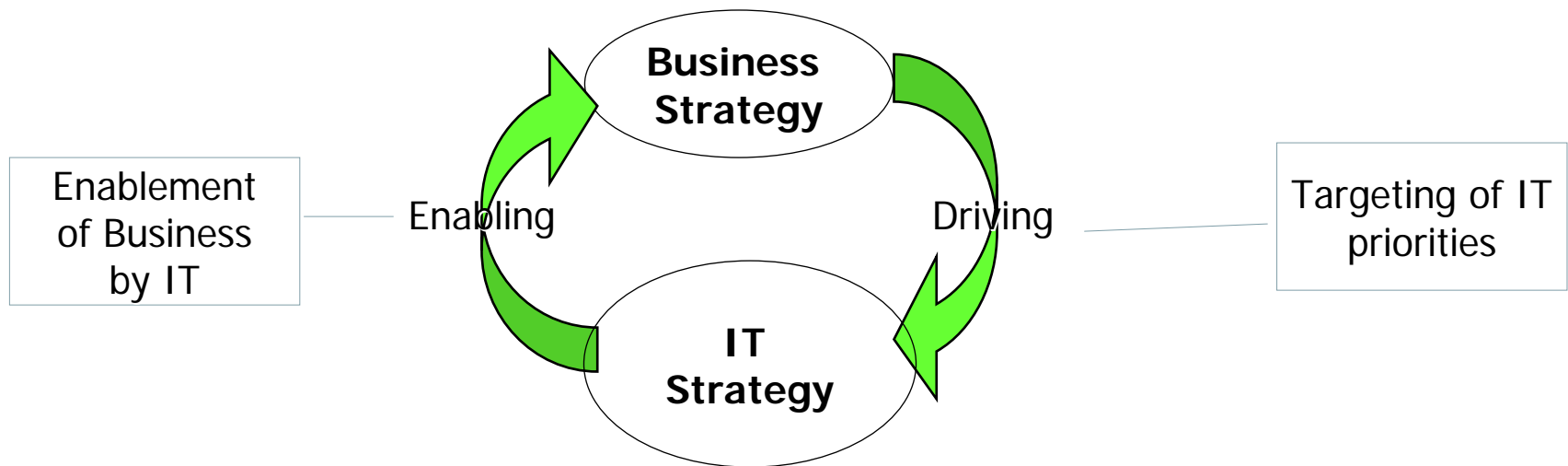
Three Modes of Alignment: Support

- Business strategy drives IT strategy
- Current business strategies and capabilities drive IT priorities, investments and capabilities
- Measures
 - Extent to which IT capabilities have enhanced the efficiency of existing business processes (e.g., customer service, manufacturing)
 - Extent to which IT capabilities have enhanced the effectiveness of existing business capabilities (e.g., improving the cycle time of the logistics process, improving the accuracy and accessibility of customer information)



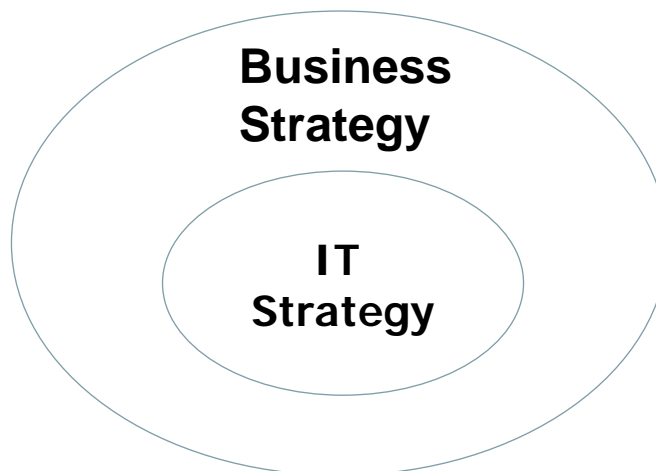
Three Modes of Alignment: Synchronization

- IT enables execution of current business strategy, but also anticipates and shapes future business models.
- IT leadership, thinking and investments are active in seeding new business opportunities
- As firms become aware of the capabilities of their IT investments, assets, and applications, they focus on discovering new business strategies



Three Modes of Alignment: Convergence

- Business strategy is shaped through digitized products, services, processes, and relationships
- IT strategy is embedded in the business strategy
- A single leadership team operates across business and IT
- Appropriate for media, banking, financial services, and entertainment industries



The Three Modes of Alignment

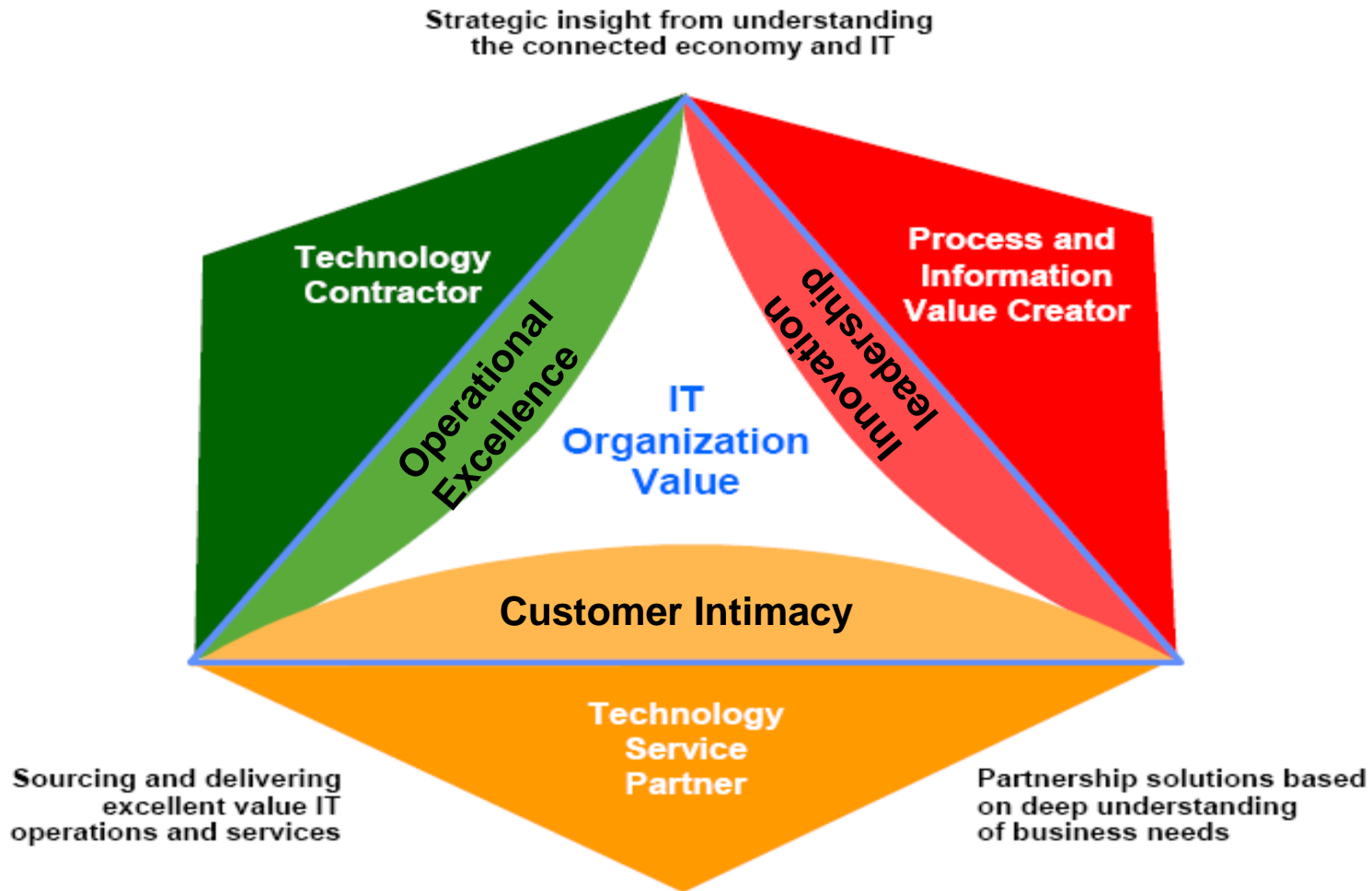
	Support	Synchronization	Convergence
Key Objective	Enhance efficiency and effectiveness of current business strategies	Discover, innovate, and implement new business strategies	Digitize, innovate, and create new products and services
Focus of IT Management	<ul style="list-style-type: none"> • Current business strategies • Significant business processes • Portfolio of IT solutions 	<ul style="list-style-type: none"> • Capabilities of IT investments • Opportunities for creating new business strategies 	<ul style="list-style-type: none"> • Opportunities for digital products and services
Role of Business Executives	<ul style="list-style-type: none"> • Articulate information needs of business 	<ul style="list-style-type: none"> • Explore new IT-enabled business models 	<ul style="list-style-type: none"> • Explore digital products and services
Role of IS Executives	<ul style="list-style-type: none"> • Develop IT portfolio to support current business needs 	<ul style="list-style-type: none"> • Experiment with technologies to create new business opportunities 	<ul style="list-style-type: none"> • Experiment with technologies to create new products and services

Facilitating Alignment through IT Portfolios

Type of IT Investment	Support	Synchronization	Convergence
Infrastructure	55%	50%	40%
Transactional	30%	25%	20%
Informational	15%	15%	10%
Strategic	0%	10%	20%

Adapted from Weill and Aral, 2006

Building the Right Governance Model

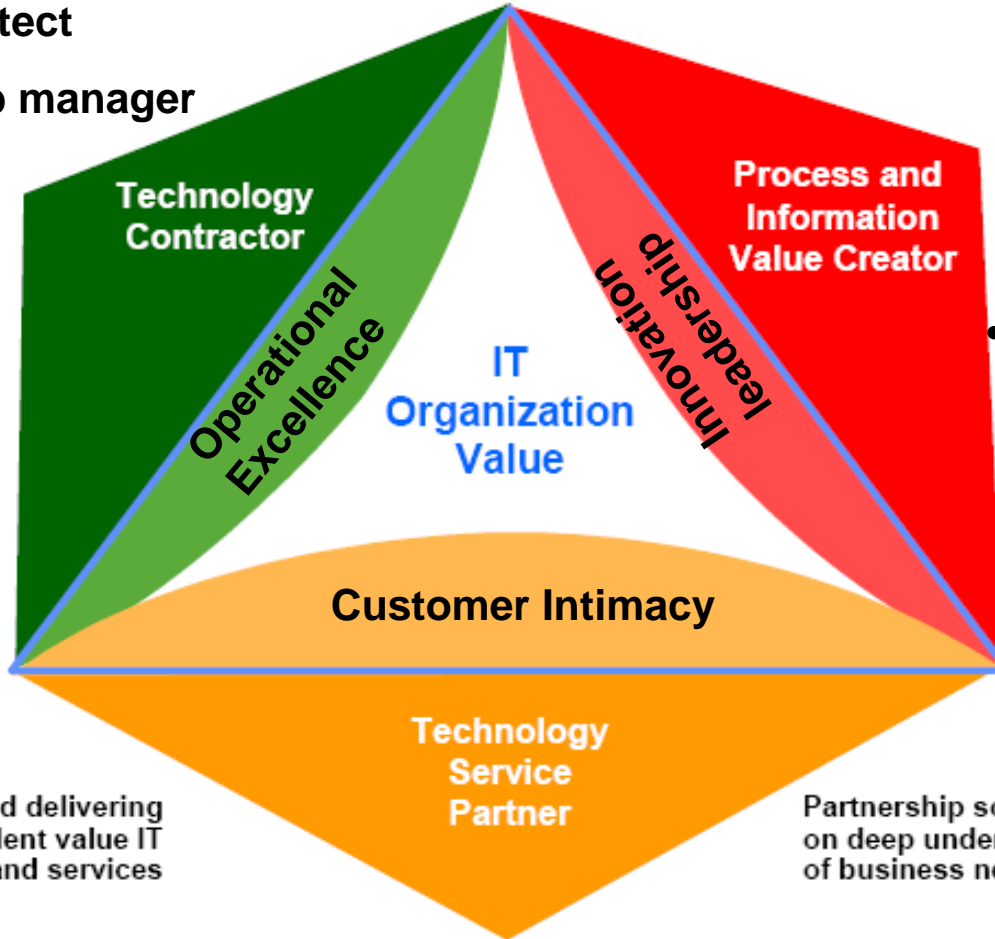


Source: Gartner, 2006

Emerging IS Roles

Strategic insight from understanding
the connected economy and IT

- Infrastructure architect
- Vendor relationship manager
- Portfolio manager



- Innovation catalyst
- Technology advisor
- Project lead
- Services liaison

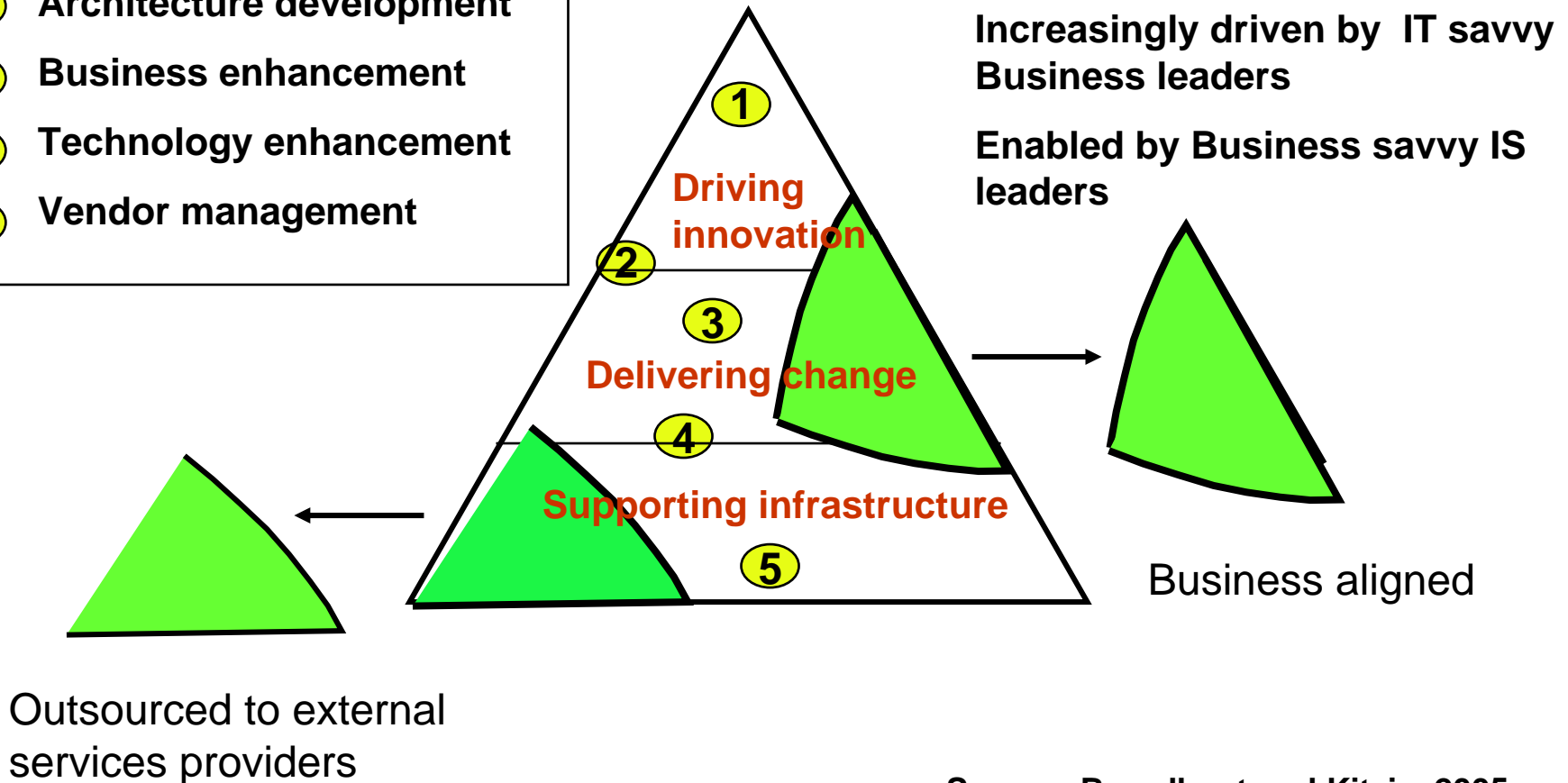
Sourcing and delivering
excellent value IT
operations and services

Partnership solutions based
on deep understanding
of business needs

Source: Gartner, 2006

Changing Face of the IS Organization

- ① IT leadership
- ② Architecture development
- ③ Business enhancement
- ④ Technology enhancement
- ⑤ Vendor management



Source: Broadbent and Kitzis, 2005

An Emerging Organizational Model for IT Governance

IT Investment Board

- Head of IT Finance (e.g. CFO of IT)
- CIO
- CFO
- Selected Business SVPs

Business Technology Council

- Head of IT Strategy
- CIO
- Selected Business SVPs
- Head of IT Applications
- Functional Area Leads
- Client Relationship Managers

Divisional Project Approval Committee

- Divisional Functional Heads
- Divisional CFO
- Divisional PMO and Finance rep.
- Divisional CIO, Divisional CTO
- Enterprise Functional Leads
- IT Directors

Corporate Project Approval Committee

- Head of Portfolio & Program Mgt.
- Head of Enterprise Architecture
- Head of IT Strategy
- Business Strategy Analyst
- Finance Representative

Office of Architecture & Standards

- Head of Enterprise Architecture
- Business Architects
- Technical Architects
- CIO
- CTO

Office of the CIO

- Chief Information Officer (CIO)
- Chief Technology Officer (CTO)
- Head of IT Security
- Head of IT Risk
- Head of IT Finance
- Head of IT Strategy
- Head of IT HR
- Head of Vendor Management
- Head of IT Application Areas
- Head of Portfolio & Program Mgt.
- Head of Enterprise Architecture
- Head of IT Communications

Functional Groups

- IT Director
- IT Strategists
- Business Analysts

Project Teams

- Project Managers
- Business Analysts
- Technical Analysts
- Developers
- Trainers

Building Enterprise-wide IT Savviness

- Digitizing internal and external communication
 - Extensive internet use
 - Digitized routine transactions
 - Enterprise-wide IT skills
 - Senior management commitment to IT Investment and use
- **Enable IT Potential & Options**
 - **Relationship Building**
 - **Change mindsets**
- **Human Assets**
 - **Senior Management Leadership**

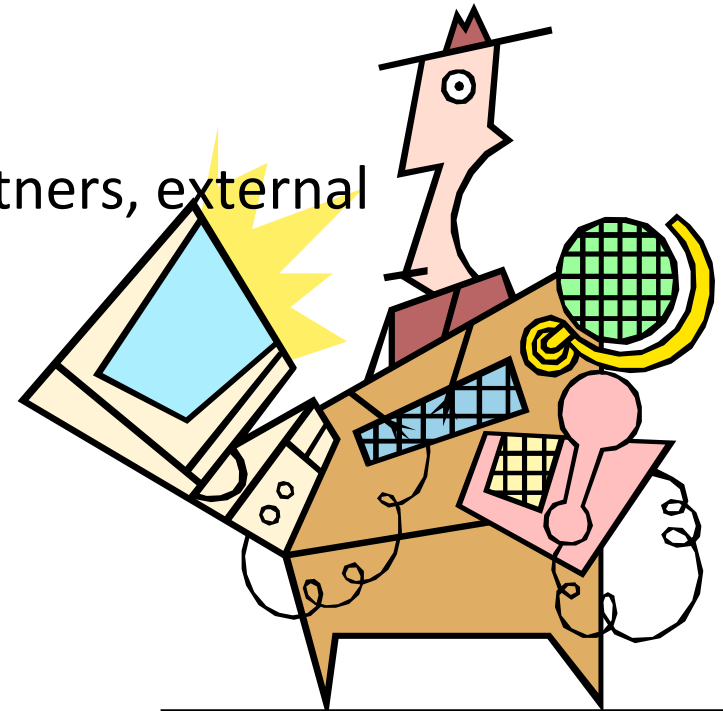
Savviness in Business Executives

- T-shaped business managers
 - Grounded in processes
 - Thinking of services
 - Conceptualizing as systems thinkers
 - Driven by metrics and analytics
 - Fearless about change
 - Quest for globalization
 - Diligent about governance
 - Savvy about the role and value of information technologies



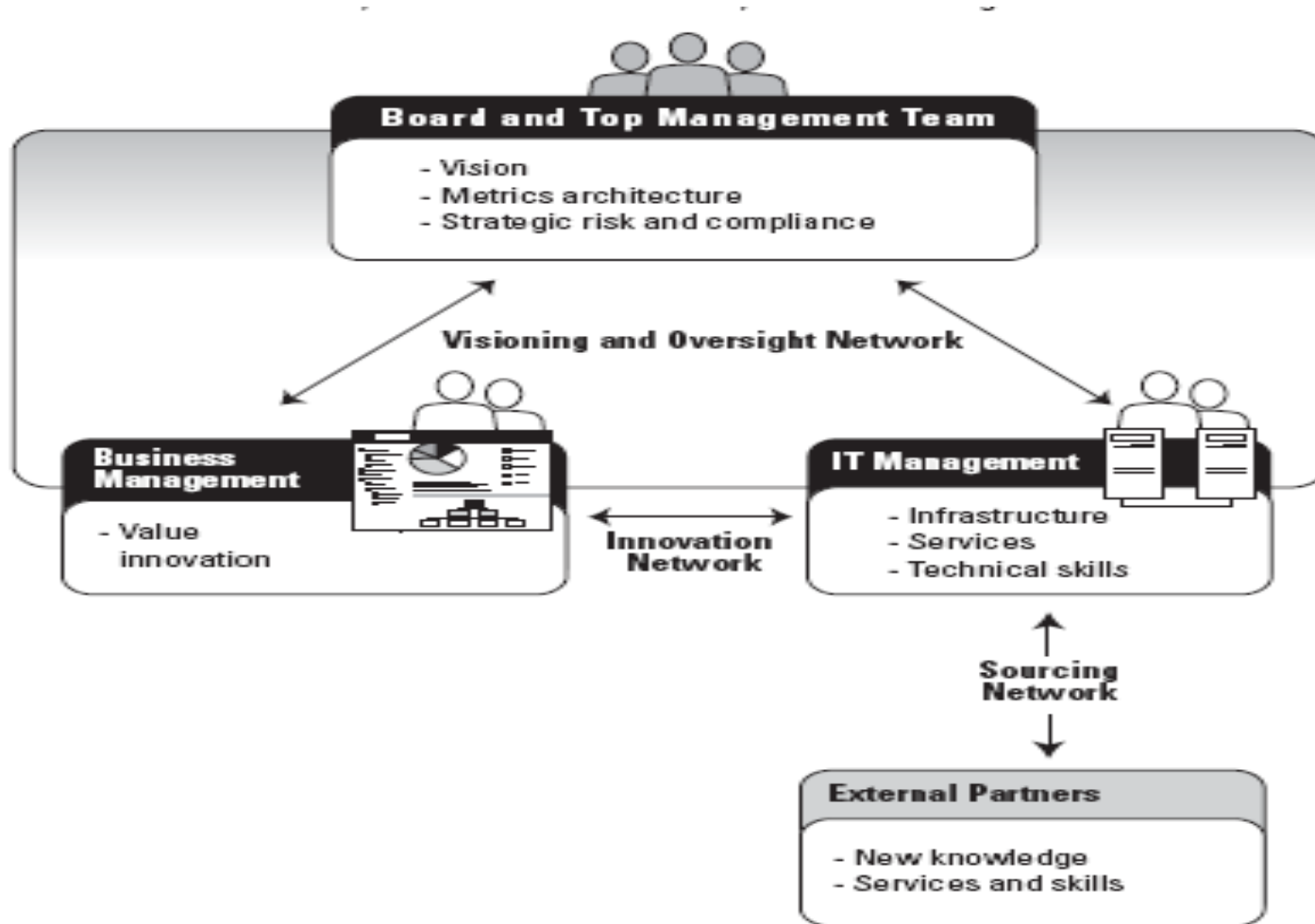
Savviness in IS Executives

- IS managers
 - Technically knowledgeable
 - Business savvy (process, strategy)
 - Articulate, persuasive, influence builders
 - Innovation catalysts
 - Change agents
 - Relationship managers (business partners, external vendors)
 - Financially astute
 - Diligent about governance



Conclusion

- Leveraging the value of information technologies is an enterprise-wide responsibility



Further Interest?

www.btminstitute.org

