Chapter IV

Assessing Business-IT Alignment Maturity

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ABSTRACT

Strategic alignment focuses on the activities that management performs to achieve cohesive goals across the IT (Information Technology) and other functional organizations (e.g., finance, marketing, H/R, R&D, manufacturing). Therefore, alignment addresses both how IT is in harmony with the business, and how the business should, or could, be in harmony with IT. Alignment evolves into a relationship where the function of IT and other business functions adapt their strategies together. Achieving alignment is evolutionary and dynamic. It requires strong support from senior management, good working relationships, strong leadership, appropriate prioritization, trust, and effective communication, as well as a thorough understanding of the business and technical environments. The strategic alignment maturity assessment provides organizations with a vehicle to evaluate these activities. Knowing the maturity of its strategic choices and alignment practices make it possible for a firm to see where it stands and how it can improve. This chapter discusses an approach for assessing the maturity of the business-IT alignment. Once maturity is understood, an organization can identify opportunities for enhancing the harmonious relationship of business and IT.
INTRODUCTION

Business-IT alignment refers to applying IT in an appropriate and timely way, in harmony with business strategies, goals and needs. It has remained a fundamental concern of business and IT executives for more than 15 years. This definition of alignment addresses how:

1. IT is aligned with the business
2. The business should or could be aligned with IT.

Mature alignment evolves into a relationship where IT and other business functions adapt their strategies together. When discussing business-IT alignment, terms like harmony, linkage, fusion, fit, match, and integration are frequently used synonymously with the term alignment. It does not matter whether one considers business-IT alignment or IT-business alignment; the objective is to ensure that the organizational strategies adapt harmoniously.

The evidence that IT has the power to transform whole industries and markets is strong (e.g., King, 1995; Luftman, 1996; Earl, 1993; Earl, 1996; Luftman et al., 1993; Goff, 1993; Liebs, 1992; Robson, 1994; Luftman, Papp, & Brier, 1999; Luftman & Brier, 1999). Important questions that need to be addressed include the following:

• How can organizations assess alignment?
• How can organizations improve alignment?
• How can organizations achieve mature alignment?

The purpose of this chapter is to present an approach for assessing the maturity of a firm’s business-IT alignment. Until now, none was available. The alignment maturity assessment approach described in this chapter provides a comprehensive vehicle for organizations to evaluate business-IT alignment in terms of where they are and what they can do to improve alignment. The maturity assessment applies the previous research that identified enablers/inhibitors to achieving alignment (Luftman, Papp, & Brier, 1995; Luftman & Brier, 1999), and the author’s consulting experience that applied the methodology that leverages the most important enablers and inhibitors as building blocks for the evaluation. The maturity assessment also applies concepts included in the popular work done by the Software Engineering Institute (Humphrey, 1988), Keen’s reach and range (Keen, 1996) and an evolution of the Nolan and Gibson stages of growth (Nolan, 1979).

Alignment’s importance has been well known and well documented since the late 1970s (e.g., McLean & Soden, 1977; IBM, 1981; Mills, 1986; Parker & Benson, 1988; Branchseau & Whetherbe, 1987; Dixon & Little, 1989; Niederman et al., 1991; Chan & Huff, 1993; Henderson & Venkatraman, 1996; Luftman & Brier, 1999). Over the years, it persisted among the top-ranked concerns of business executives. Alignment seems to grow in importance as companies strive to link technology and business in light of dynamic business strategies and continuously evolving technologies (Papp, 1995; Luftman, 1996). Importance aside, what is not clear is how to achieve and sustain this harmony relating business and IT, how to assess the maturity of alignment, and what the impact of misalignment might be on the firm (Papp & Luftman, 1995). The ability to achieve and sustain this synergistic relationship is anything but easy. Identifying an organization’s

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