Chapter 8
Developing a Tool to Enhance Strategic Alignment Towards Business Performance

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ABSTRACT

This document summarizes the initial findings of a research project started in August 2006 on IT-Business alignment. The main goal of this I-Fit project is to develop tools to improve alignment between business and IT in companies. The I-Fit project takes the perspective of the business manager: how a business manager can influence and increase the value of the IT services that he receives. Based on the literature on strategic alignment and information quality, we develop the I-Fit model. The model assumes causal relationships between ‘IT governance’, ‘Strategic Alignment’, ‘Information Quality’, and ‘Business Performance’ in an organization, as shown in the paper. This model has been used to develop a Quickscan questionnaire to use as a tool to pinpoint areas of concern regarding alignment in a company. The tool was tested and validated, demonstrating that the approach taken is valid and deserves further pursuit.

INTRODUCTION

The starting point of both the I-Fit project and this chapter is the well known Strategic Alignment Model (Henderson & Venkatraman, 1991; Benson & Parker, 1987). Strategic alignment, or ‘business-IT alignment’, intends to support the integration of IT into business strategy. The classic ‘Strategic Alignment Model’ distinguishes between the business domain (business strategy and business processes) and the technology do-
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main (information strategy and IT processes, including systems development and maintenance) in an organization. Recently, the Strategic Alignment Model has been reviewed (Chan & Reich, 2007; Luftman & Kempaiah, 2007) to assess the alignment lessons learned in the past decades. Alignment is an illusive concept (Chan, 2002) and calls for research have been made to measure or –at least- qualify the degrees of alignment and to discover the relations between alignment and business performance.

The I-Fit research project aims to further develop the alignment model. The objectives of the I-Fit project are “to predict the impact of business decisions on the IT function in an organization”, and “to identify and manage the factors that influence the information services in an organization.” The I-fit project focuses on ‘identifying the key alignment processes’, ‘identifying performance indicators for alignment processes’, and ‘developing methods to improve alignment’. The deliverables of the I-Fit project include instruments or tools:

- To provide insight for business managers in the IT consequences of decisions on information services,
- To support business managers to control Information services, based on alignment processes, and
- To design strategies for the IT domain in order to maximize IT value added for the business, and for benefits management.

This chapter summarizes the four building blocks for the creation of the tools: information quality, alignment, IT-governance, and business performance (section 2), leading to a generic framework addressing the relations between “IT-governance”, “Alignment Processes”, “Information Quality”, and “Business Performance” (section 3). In sections 4 and 5, we use the framework to develop the I-Fit model (section 4) and then the Quickscan tool (section 5), and applied it in two organisations to assess the relations between IT governance, Strategic Alignment, Information Quality, and Business Performance.

BACKGROUND

Information Quality

Our work is based on Roest (1988), Van der Pijl (1994a, 1994b), and Vermeer (1999) and denotes a typical Dutch or European perspective on information management. In this perspective, the quality of information (coming from Information Systems) is the key issue to explain business success. The USA approach differs since it aims to explain business success not by focusing on information, but on Information Technology and Information Systems.

The well accepted definition of Information Quality is ‘the degree to which information is fit for use’ or ‘fitness for purpose’. Therefore, information quality on the highest level can simply be determined by asking for user satisfaction. However, this does not provide insight into the origins of quality failures. To analyze the origins, Information Quality can be determined in two distinct ways, also known as the teleological and the causal perspective (Figure 1 shows these two perspectives). In the I-Fit project we use these two perspectives to determine the quality of information.

Teleological Perspective

In the teleological perspective, information quality is the degree to which ‘the information (data) that is delivered to the business’ fulfils the business needs. In the teleological model the quality of information is determined by the objective for which the information is intended to be used. Van der Pijl (1994a) argues that information depends on personal objectives that in their turn (partly) depend on organizational objectives. The importance of the teleological model is that it
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