A Simple Instrument to Measure IT-Business Alignment Maturity

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Abstract  The challenge of aligning Information Technology (IT) to business has often been cited as a key issue by IT executives. This paper presents a simple, flexible, and easy-to-use instrument that measures the alignment maturity between business and IT and identifies major gaps. The proposed instrument is based on Luftman’s “Strategy Alignment Maturity Model” (SAMM); it directly encodes all attributes of SAMM alignment areas using a unidimensional framework. The instrument supports multiple levels of analysis with minimum assumptions about data using non-parametric statistical tools. In addition, the instrument provides an aggregation procedure to summarize the alignment maturity level for high-level executives. The instrument can also be customized to incorporate the contextual parameters of a company. In addition to the development of the instrument, this paper also shows how this instrument was applied to assess the alignment maturity level between IT and business in a rapidly growing company that had recently been publicly listed. The instrument was successful in identifying six major gaps for the company across the various alignment areas. These gaps were benchmarking, business metrics, strategic business planning, inter/intra organizational learning, architectural integration, and the impact of IT on business processes.

Keywords  IT-Business alignment, maturity model

I. Introduction

Alignment between business and IT has often been cited as a key issue and a challenge by IT executives (Luftman et al., 2005; Tallon & Kraemer, 2003). The need for such an alignment has long been recognized (Chan et al., 1997; Chan & Reich, 2007; Henderson & Venkatraman, 1993; Luftman & Brier, 1999; Shpilberg et al., 2007). There is also emergent evidence that IT and business alignment do have an impact on organizational performance (Chan et al., 2006; Tallon, Kraemer, & Gurbaxani, 2000; Tallon & Kraemer, 2003). While the concept of alignment has many definitions such as integration, linkage, harmony, bridge or fusion (Avison et al., 2004), one of the most commonly used models for IT-business alignment is the Strategic Alignment Model (SAM) (Henderson & Venkatraman, 1993).

However, alignment models have been criticized by not being applicable in many cases where the business is not following a systematic strategic planning process, if the strategy is being developed on the fly, or if the Chief Executive Officer CEO and the Chief Information Officer CIO are developing the strategy together (Shpilberg et al., 2007). Nevertheless, the same study also showed that almost three quarters of the 504 respondents from 452 companies believed that their IT capability was neither highly aligned nor effective (Shpilberg et al., 2007).

One key issue in IT and organizational alignment is how to “measure” alignment. Hofacker (1992) points out that matching and moderation are two ways to measure alignment. Matching tries to match aspects of IT strategy with components of business strategy. The moderation view, on the other hand, views pairs of business and IT strategy and their impact on business performance (Chan et al., 1997). Several studies have tried to measure alignment. Avison et al. (2004) modified the SAM model to provide a step-by-step process that can be used to assess organizational alignment based on executive feedback. Specifically, their approach tries to identify various patterns and perspectives (e.g., technology potential) to provide feedback for executive management decision making. Similarly, Hale and Cragg (1996) applied modeling of the business and IT strategies for Small and Medium Enterprises (SMEs) and mapping the gaps from one to the other. Bergeron et al. (2004) identified 29 items to measure IT strategy and structure itself.