

Assessing Business - IT Alignment Maturity: Evidence from Selected Companies in Sri Lanka

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Abstract

Identifying an organization's alignment maturity provides an excellent vehicle for understanding and improving the business-IT relationship. 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. This research 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. This research 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. A survey research method was applied to gather data. The structured questionnaire consists 39 questions to measure business - IT alignment. The selected companies' alignment measured by focusing six IT- business alignment maturity criteria. This research shows that Hirdaramani group score highest business - IT alignment maturity that is 3.972. Daya group score second Business- IT alignment maturity that is 3.028 and the company EAM Maliban textile score 2.766 as the lowest business - IT alignment maturity.

Keywords: Assessing, Alignment, Maturity, Information Technology.

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Introduction

Business-IT alignment refers to applying Information Technology (IT) in an suitable and timely way, in harmony with business strategies, goals and needs. This definition of alignment addresses: how IT is aligned with the business? and how the business should or could be aligned with IT?. Maturing alignment evolves into a relationship where IT and other business functions adapt their strategies together. The purpose of this research is to present an approach for assessing the maturity of a firm's business-IT alignment. Achieving and sustaining IT-business alignment continues to be a key issue in this global era. There is no single activity will enable a business firm to achieve and sustain alignment because there are too many dynamic variables. Alignment seems to grow in importance as companies attempt to link technology and business in light of dynamic business strategies and continuously evolving technologies (Papp, 1995; Luftman, 1996). I have selected 3 companies namely Hirdaramani Group, Daya group and EAM Maliban Textiles (Pvt) Ltd. These three companies are in the apparel industry in Sri Lanka. Hirdaramani has 120 year heritage and one of the leading garments manufacturer in Sri Lanka. Today they have over 30,000 employees spread across six countries and six industries. Their production facilities across Sri Lanka, Bangladesh and Vietnam are capable of an output of approximately 13 million articles of clothing

each month. Daya Apparel started in 1992 and has become one of the top 5 garment manufacturers in Sri Lanka employed with 10, 000 workers. From an initial concept to final product, Daya apparel's state of the art facilities help to create outstanding end products. EAM Maliban Group was established in 1974 and is now recognized as a top manufacturing giant for garment manufacturing and wet processing in Sri Lanka. It is the leading apparel manufacturing icons in Sri Lanka which employees over 8000 skilled labor, equipped with over 10 state of the art manufacturing facilities in Sri Lanka and Jordan. EAM Maliban produces around 18 million woven garments a year together with another 2 million wet processing pieces.

Importance of Alignment

Alignment seems to grow in importance as companies struggle to link technology and business in light of dynamic business strategies and continuously evolving technologies (Papp, 1995; Luftman, 1996). Alignment addresses both doing the right things (effectiveness), and doing things right (efficiency). In recent years, a great deal of research and analysis focused on the linkages between Business and IT (Luftman, Papp, & Brier 1995; Luftman & Brier 1999; Luftman, 1996; Earl, 1993; Henderson, Thomas & Venkatraman, 1992,). Firms need to change not only their business scope, but also their infrastructure as a result of IT innovation

(Keen, 1991; Foster, 1986; Weill & Broadbent, 1998). Alignment maturity develops 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. Achieving and sustaining alignment demands focusing on maximizing the enablers and minimizing the inhibitors that cultivate the integration of IT and business.

The Six Strategic Alignment Maturity Criteria

1. **Communications Maturity:** How well do the technical and business individuals understand each other? Do they connect easily and frequently? Does the company communicate effectively with consultants, vendors and partners? Does it disseminate organizational learning internally?
2. **Competency/Value-Measurement Maturity:** How well does the company measure its own performance and the value of its projects? After projects are completed, do they evaluate what went right and what went wrong? Do they improve their internal processes so the next project will be better?
3. **Governance Maturity:** How well the company connect its business strategy to IT priorities, technical planning and budgeting? Do the projects they undertake flow from an understanding of the business strategy? Do they support that strategy? Simply put IT governance is about who makes the decisions (power)?, why they make them(alignment)? and how they make them (decision process)?.
4. **Partnership Maturity:** To what extent have business and IT departments forged true partnerships based on mutual trust and sharing risks and rewards? It's not enough to have excellent IT strategies and implementation plans on paper. CIOs must convince peer executives of the corporate value of their strategies. CIOs should have an intimate knowledge of the business and industry they're working in, thereby improving their interactions with business executives, and they should have personal relationships with other executives in their companies.
5. **Scope and Architecture Maturity:** To what extent has technology evolved to become more than just business support? How has it helped the business to grow, compete and profit? This concept is critical as corporations grow and the need for integration across the enterprise and its external partners

increases. Integration is a business need, and the technology mechanisms won't help without the proper organizational structures, goals and incentives. Business processes are the vital link between the technical and organizational infrastructures of a company.

6. **Skills Maturity:** Does the staff have the skills needed to be effective? How well does the technical staff understand business drivers and speak the language of business? How well does the business staff understand relevant technology concepts? IT is becoming less expensive, while IT labor is becoming more expensive, especially as a portion of the total IT budget. But if IT is to rise to the challenge of being an enabler and indeed a shaper of overall business strategy, the role of skilled IT professionals becomes even more critical than in the past.

Objective of the research

The purpose of this research is to find out the business - IT alignment maturity for the selected companies in Sri Lanka. Researcher referred some research article which addresses the above issue in different context and which were encouraged the researcher to explore further on this aspect. This research has the following objectives:

1. Assess the business IT - alignment maturity for the selected companies.
2. Find the possible ways to get better business - IT alignment maturity.

Literature Review

The alignment maturity assessment approach described in this research provides a complete vehicle for organizations to assess business-IT alignment in terms of where they are and what they can do to improve alignment. The researcher referred a few articles which are related context in different countries. For example Jerry Luftman in 2000 "Assessing Business-IT Alignment Maturity" and Steven De Haes, Roaier Haest and Wim Van Grembergen in 2010 did a survey on "IT Governance and Business-IT Alignment in SMEs" in Netherlands. They concluded that, SME's in Netherlands were on average not very IT-intensive and score low in the field of business and IT alignment. further Ivor Jonathan Farrell in 2003 did a research in Australia for his Doctorate thesis on "Aligning IT to Corporate Objectives: Organizational Factors in Use". He concluded that, to align IT with an organization's corporate objectives, It requires an organization to be aware of twenty-one factors that can affect IT alignment, and for the organization to ensure they are present or used not only according to a set of characteristics, but also according to inter-relationships and dependencies between certain factors. finally Luftman, Papp, & Brier, 1995; Luftman & Brier, 1999, did a research and identified the enablers/inhibitors to achieving alignment and the author's consulting experience that applied the methodology that influences the most important enablers and inhibitors as building blocks for the evaluation. However

this research focuses measuring business - IT alignment maturity status with respect to 3 selected companies in Sri Lanka.

Methodology

Interview with structured questionnaire method was applied to gather data from the selected companies. Questionnaires includes Likert scale questions to find the answers for the question. Data were obtained from head of IT or IT manager by directly visiting their company. The head of IT or IT manager (one person from each company) was interviewed with the structured questionnaire to collect the data. Six business - IT alignment maturity criteria/domains (Appendix1: Communications, Competency, Governance, Partnership, Scope & Architecture and Skills) consist 39 sub criteria (questions). Each of the criteria and levels are described by a set of attributes that allow a particular dimension to be assessed using a 1 to 5 Likert scale questionnaire. where:

1 = This does not fit the organization, or the organization is very ineffective

2 = Low level of fit for the organization

3 = Moderate fit for the organization, or the organization is moderately effective

4 = This fits most of the organization

5 = Strong level of fit throughout the organization, or the organization is very effective

Above 39 sub criteria (questions) were divided among the six business - IT alignment maturity domains. Then the each domain's average was calculated to measure the each domain status in terms of business-alignment. After assessing each of the six criteria from level 1 to 5, results were used to get an overall assessment level of the maturity for each firm. Collected data were entered to excel sheets and derived the relevant charts.

Results and Discussion of Findings

Success of the organization depends on the effective implementation and alignment of the Information Technology product and services. Business-IT alignment maturity refers to applying IT in an appropriate and timely way, in harmony with business strategies, goals and needs. Alignment addresses both how IT is aligned with the business, and how the business should or could be aligned with IT. Identifying an organization's alignment maturity status provides an excellent vehicle for understanding and improving the business-IT relationship. 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. Alignment seems to grow in importance as companies attempt to link technology and business in light of dynamic

business strategies and continuously evolving technologies. Nowadays IT investment has been increasing for years as managers are looking for ways to manage IT successfully and to integrate it into the organization's strategies. The below chart shows the overall business-IT alignment maturity status for the 3 selected companies.

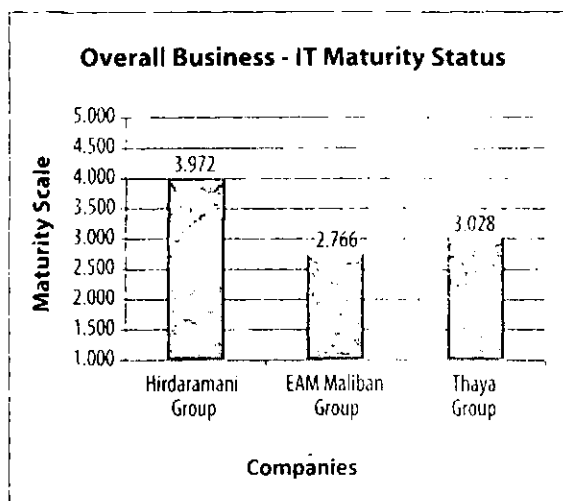


Figure 1: Business - IT Maturity Status of 3 Companies

The following charts show the business-IT alignment maturity status for each company individually by focusing the six strategic alignment maturity criteria. The average maturity status of each company represented in the above chart as a overall business- IT Maturity status.

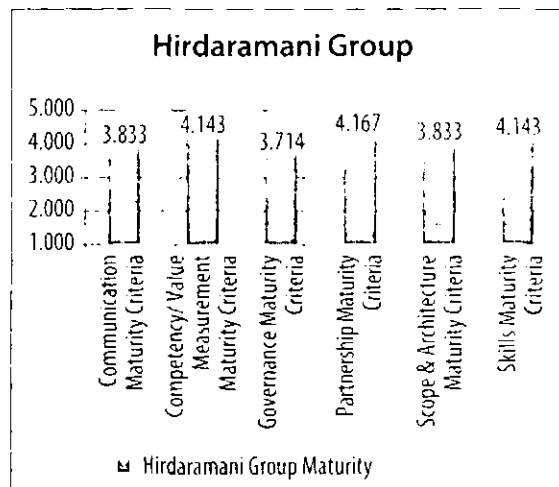


Figure 2: Business - IT Maturity Status of Hirdaramani Group

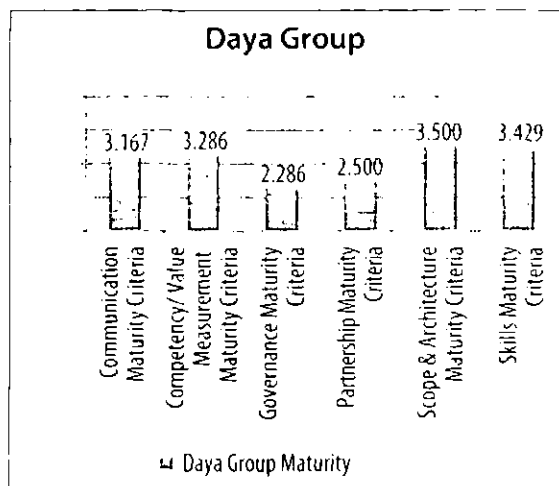


Figure 3: Business - IT Maturity Status of Daya Group

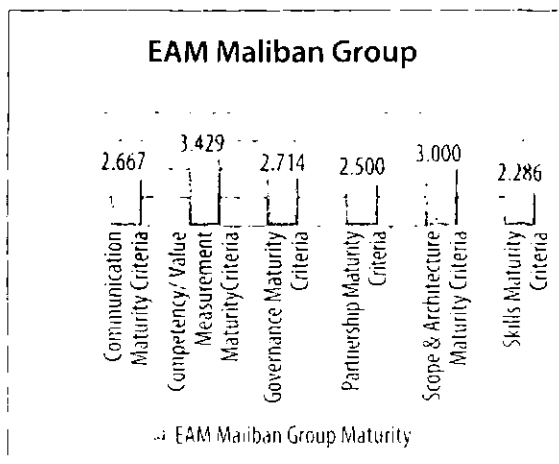


Figure 4: Business - IT Maturity Status of EAM Maliban Group

It shows that, the organization with the lower business - IT alignment results clearly had a lower business - IT alignment maturity status compared to the organization with the highest business - IT alignment. It is proved that, Hirdaramani Group Score the highest 3.972 business - IT alignment maturity and the company EAM Maliban Group Score the lowest 2.766 business - IT alignment maturity and Daya group it has 3.028 score for Business- IT alignment maturity.

The reason for Hirdaramani Group's status is, they have implemented whole systems in a well established way. They implemented their system and IT service in a fully structured way and now they are in a position to taste the benefits. further Hirdaramani Group possess better IT governance, sophisticated IT infrastructure, better steering committee, well structured IT architecture, strategic IT plan, trained and skilled labor force, excellent IT risk management, better business continuity and disaster recovery plan, secured IT systems, and good help desk. During the data collection the Hirdaramani IT manager indicated that, their systems are successfully implemented and they have the good IT help desk support for the IT issues. Further he mentioned, they have implemented Microsoft Dynamics AX ERP system and getting solution from the developer on demand.

In case of Daya group, it possess the average status on their IT infrastructure and architecture, strategic IT plan, securing IT systems, business continuity and disaster

recovery plan. It means the Daya group not that much succeeded on their business – IT alignment. They need a good IT practices to get better business - IT Alignment status. Further the company EAM Maliban Textiles they have the lowest status of maturity on business-IT alignment. comparatively they are poor in IT infrastructure, steering committee, IT architecture, strategic IT plan, skilled labor force, business continuity and disaster recovery plan, IT risk management and securing IT systems. The good business – IT alignment maturity is determined by the well structured and managed business-IT alignment maturity criteria. So, this company needs a better maturity in the following domains such as Communications Maturity, Competency/Value-Measurement Maturity, Governance Maturity, Partnership Maturity, Scope and Architecture Maturity, and Skills Maturity.

Suggestions for Better Business - IT Alignment Maturity

Improving better business – IT Alignment maturity will increase operational efficiencies, greater resource utilization, uplift the return from IT investments, and reduce risk. To get better business – IT alignment maturity status organizations should do IT governance maturity assessments in line with industry best practice frameworks such as COBIT and ValIT, implementing standardized IT governance structures and processes, IT demand and portfolio management to facilitate stronger business and IT alignment

through an IT demand and portfolio management, investment governance to assess the current investment structure and processes, and establish an IT project portfolio performance management framework, IT performance management services in line with strategic objectives and our performance management framework, to secure business - IT alignment keep eye on the role of IT, the business environment, IT management intensity, and IT metrics, understand the business priorities and proactively formulate business - IT initiatives, Ensures that IT support the business and development toward organizational needs, not individual desires, improve communication and develop an understanding of our organization's core vision and objectives.

Conclusions

Achieving and sustaining IT-business alignment maturity continues to be a key issue. There is no single activity will enable a business firm to achieve and sustain alignment because there are too many variables. The technology and business environments are too dynamic in this global era. The strategic alignment maturity assessment provides a vehicle to evaluate where an organization is and where it needs to go to achieve and sustain business-IT alignment. Alignment addresses both doing the right things (effectiveness) and doing things right (efficiency). Business firms need to change not only their business scope, but

also their infrastructure as a result of IT innovation. The vigilant assessment of a firm's alignment maturity is a significant step in identifying the specific actions necessary to ensure IT is being used to appropriately enable or drive the business strategy. Aligning and governing IT product and services with business goals ensures that IT product and services utilized at optimum level. Alignment of business and IT is essential for a successful organization.

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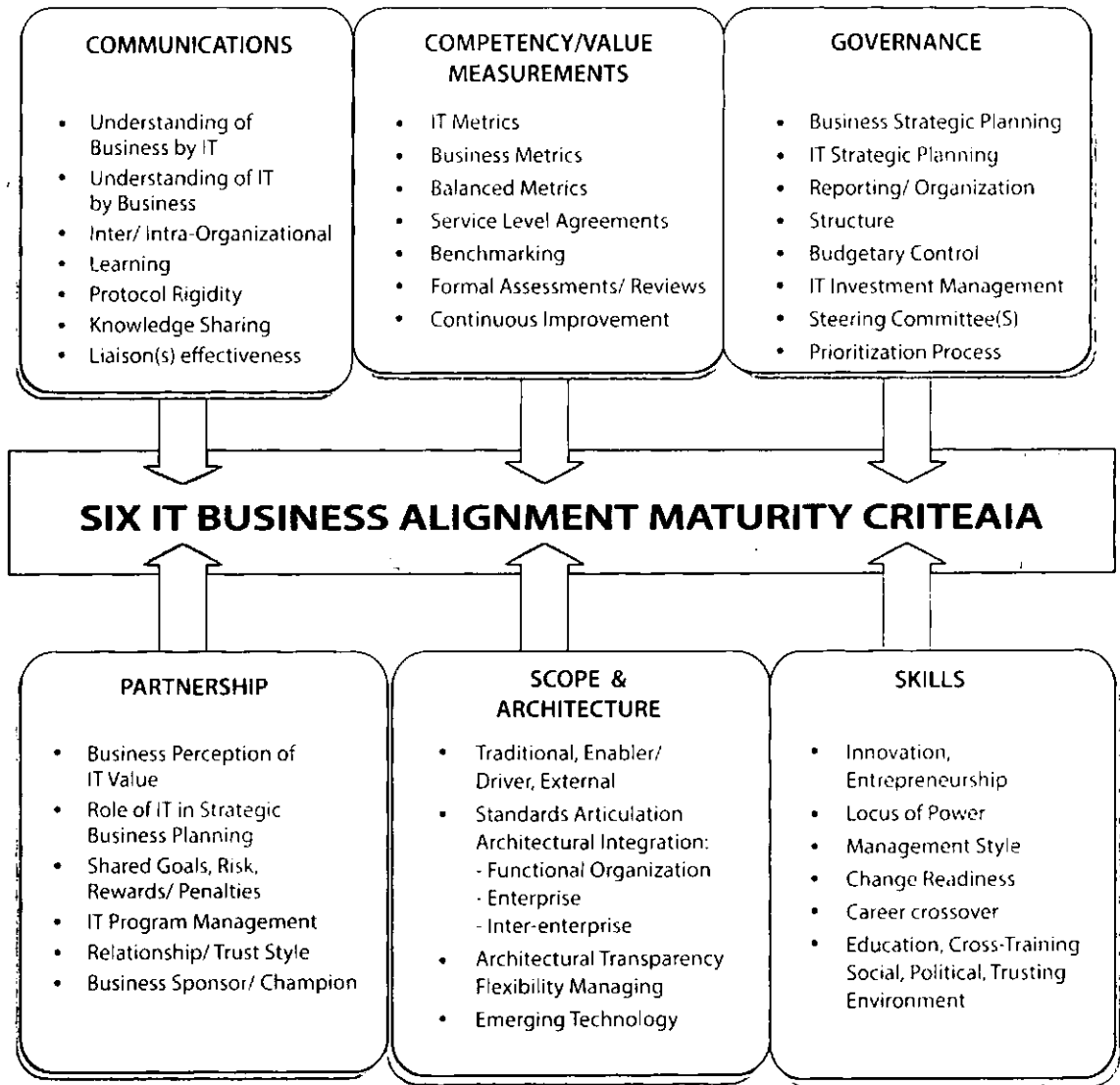
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Appendix 1: Six IT Business Alignment Criteria



(Source : Luftman)