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EVALUATION OF BUSINESS AND IT STRATEGIC ALIGNMENT MATURITY IN RUSSIAN COMPANIES

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Recently information technologies (IT) have become strategically important for businesses. It can be considered as company's competitive advantage on global market or considerable provider of internal business processes' efficiency. Although, "unhealthy" cooperation between corporate IT-department and its top-management may lead to some serious problems for a company. In the 1990s a term strategic alignment which stands for beneficial cooperation between Business and IT within one company was introduced. Before any changes such as implementation of new information system or business intelligence solution, business processes' or organizational structure reengineering, it is vitally important to understand the current condition of company's strategic alignment or literally the maturity level of this very process.

Keywords: Business and IT strategic alignment; strategic alignment maturity evaluation; strategic alignment maturity evaluation model; Luftman model.

Introduction

Nowadays much attention is being given to the role of information technology (IT) within the enterprise from the point of view of relationship between IT and company's Business. "Unhealthy" relationship between Business and IT may lead the company to some serious problems which can be [1–2]:

- Company losses its competitive advantage; corporate image, goodwill and reputation;
- IT-projects fail to meet their financial, time, resource and other restrictions;
- negative influence of IT-department low quality of work on corporate efficiency and main business processes;
- permanent failures of corporate IT initiatives and projects.

One of the reasons why mentioned situations occur can be a lack of cohesion between IT and Business within one company. On one hand, among global corporate goals pursued by its top-management are sustainable revenue increase and enterprise value growth as well as high performance of every department with minimum possible costs. On the other hand, chief information officers are interested in maximum budgeting for IT-department's needs such as renovation of hard- and software, implementation of new information technologies; sometimes IT needs may hardly correspond with strategic business goals of the company.

In late 1990s a key term of this research was introduced by two researchers – Henderson and Venkatraman. It is Business and IT strategic alignment, which can be identified as beneficial coexistence of Business and IT within one company [3]. Usually the process of strategic alignment includes optimization of the interaction between the IT department and the rest of the company, the construction of clear IT infrastructure as well as procedures for IT projects budgeting and more. The absence of strategic alignment may lead to discordance within the enterprise.

During more than twenty years of existence of this idea a separate class of strategic alignment models was formed. These models describe how it is possible to improve the interaction between Business and IT; but none of them evaluates the current state of the company in terms of strategic alignment. Usually the current state can be more important for the launch of some changes and reconstructions. Therefore, it is tend to be vitally important to assess the condition of Business and IT cooperation and thus, define what the level of maturity of strategic alignment is.

1. Background analysis: Business and IT strategic alignment maturity evaluation approaches

In the USA and some European countries there is a class of models for evaluation of Business and IT strategic alignment, for example, Duffy model (2001), Van der Raadt model (2002), de Konig model

(2003) and others. These models are widely used for assessing the current situation in company in terms of Business and IT cooperation. Using these models it is possible to understand what are strengths and weak points of the company and what is the next step toward the improvement of Business and IT coordination.

During the first phase of this project the following steps and tasks have been accomplished [4–5]:

- Background research on the approaches to Business and IT strategic alignment evaluation in the USA, Europe and Russia;
- Selection of Business and IT strategic alignment maturity models for further research:
- Forming a list of evaluation criteria for chosen models:
- Comparison analysis of chosen models.

As a result, Luftman model [6] tended to be of the biggest interest. At first, this model describes the ways how different departments as well as their executives should cooperate with each other; these relations are considered as a base for strategic alignment. After the model introduces 6 groups of criteria with 6–7 items in each group and questionnaire with points about each criteria as a tool to evaluate cooperation between Business and IT within a company.

According to Luftman model IT and Business strategic alignment stands upon 12 components of organization presented on Fig. 1.

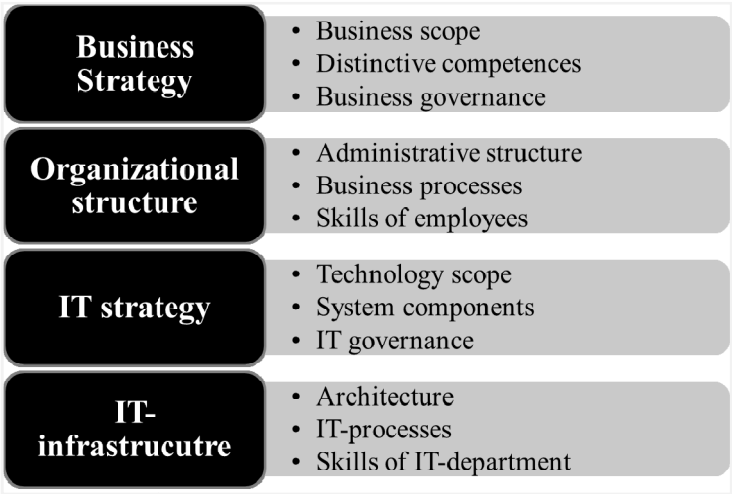

Fig. 1. Components of Business and IT corporate alignment

In order to evaluate the level of development and maturity of each component 6 groups of criteria were introduced (Fig. 2).

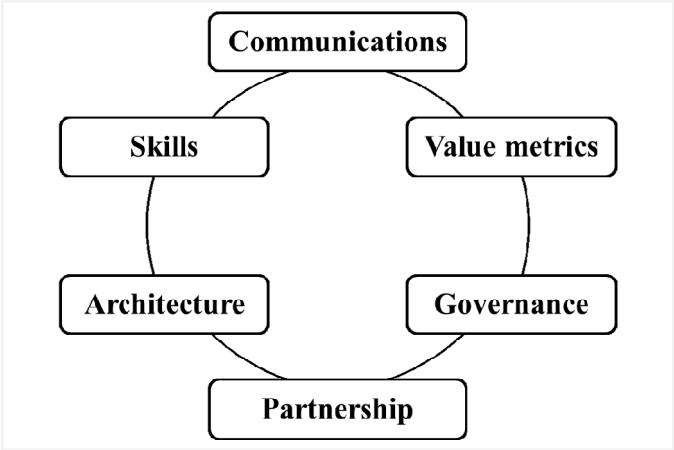

Fig. 2. Criteria for evaluation of Business and IT strategic alignment maturity

2. Adapted Luftman model implementation results

After adaption of Luftman model for Russian companies and its usage in a form of interviews and surveys several important insights can be made for each respondent-company. Short description of respondents is presented in Table 1.

Table 1

Description of participated companies

№	Title	Respondent position	About company
1	TOPS Consulting	Consultant	IT-integrator with 20 years of experience. Company specializes in development and integration of business application for big and medium enterprises of various industries
2	Tatar Oil Research and Design Institute	Lead engineer	One of the lead research centers of oil industry in Russia who specializes on search, exploration and development of oil and gas fields, their design and arrangement
3	Company N	Software developer	Russia's largest international IT company that owns the search engine on the Web and the Internet portal. The focus of the company is to develop a search engine, while the multi-functionality of the portal offers more than 50 services
4	UV-service	Lead of finance department	Supplier of spare parts for printing equipment in the Russian and CIS market
5	Sirena Travel	Booking system specialist	Leader in the distribution of aviation services in Russia and the provider of information technology for enterprises of the aviation industry
6	Taxnet	Inspector of certification authority	Specializes in the development and implementation of high-tech internet solutions. One of the priorities is to provide services for the organization and maintenance of electronic document management systems, protected by means of encryption and electronic signature
7	CROC	System analyst	Leader of the Russian IT-market for system integration services, as well as in the IT services for companies in financial sector, it takes the 5th place in the list of the largest consulting firms
8	Intell Group	CEO	The company was founded in 1994. Main activities are: provision of services in the field of business management consulting services, financial analysis, and households, development and implementation of automated decision support systems
9	GlowByte Consulting	Analyst	The company was formed in 1998 as an IT outsourcer; in 2004 company began doing IT consulting. Nowadays the company has three offices – in Moscow, Minsk and Kiev. Pursuing both support existing solutions (corporate IS, BI-systems, data warehouses etc.) as well as development from the ground up, the company has gained an excellent reputation among its customers

While surveying respondents answered a set of questions in a form of choosing one statement most suitable for a company he/she worked for. Conclusive results are given in the Table 2.

Table 2

Survey results

Respondents	Alignment components						
	Communications	Value mesurements/ metrics	Gover vernance	Partnership	Scope & Architecture	Skills	Business & IT strategic alignment maturity level
TOPS Consulting	4+	4+	4+	4+	4+	4+	4+
Tatar Oil Research and Design Institute	3–	3+	3+	3+	3+	2+	3+
Company N	4+	4+	5–	5	4+	5–	4,5
UV-service	2+	2+	4–	2–	2+	2	2+
Sirena Travel	2+	3–	4–	3+	3–	2	3–
Taxnet	3–	3–	4+	4+	3	3	3+
CROC	2,5	3+	3+	3+	3+	3+	3+
Intell Group	3,5	3+	3–	3–	2+	3–	3–
GlowByte Cons.	4+	3+	3+	4	4+	5–	4+

On the data gathered through the survey it can be conclude that the level of maturity of the strategic alignment of Business and IT is largely determined by the industry of the company. This process tends to be more advanced and mature in enterprises whose activities are related to information technologies, for example, the company TOPS Consulting, Company N, GlowByte Consulting. Vice versa is the situation for companies hardly related to information technologies, such as UV-service which demonstrated low levels of strategic alignment. However, this trend is not necessarily typical for all Russian companies when it comes to the largest players of a certain industry as retail, banking, manufacturing, and others, of course, the top companies cannot ignore information technology or treat them only as a supporting component.

Finally, the most valuable knowledge what can be excluded with the help of an adapted model is some recommendations for further improvement of the current situation with respect to the strategic alignment of business and IT in each organization.

For example, CROC's level of strategic alignment in all criteria except the first one (Communication) are very close to the level 4 (3+). It would be reasonable to improve the situation for the poor performance criterion firstly. Some changes seem essential for the way how business is understood by IT and vice versa. Another example, Glowbyte Cons. whose level of strategic alignment maturity is 4+, at first should improve two criteria. Metrics used in organization touches upon both IT and Business but are not considered while strategic planning and KPI forming, it is only used for monitoring operational activities. IT governance improvement can be done through implementation of time-tested and well recommended standards, principles and best practice of organizing IT department work such as ITIL, COBIT etc.

Conclusion

Results of this research can be potentially of big practical interest as they will allow to analyze the common level of strategic alignment on Russian market, compare it with European and American companies, track some tendencies in different sectors, for example, banking, IT consulting, telecommunications, retail etc. Moreover, using this adapted approach each company can understand the current state of how Business and IT cooperate, what are strengths and weaknesses of this partnership and how to improve them step by step.

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ОЦЕНКА ЗРЕЛОСТИ СТРАТЕГИЧЕСКОГО ВЫРАВНИВАНИЯ БИЗНЕСА И ИТ В РОССИЙСКИХ КОМПАНИЯХ

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Сегодня особое внимание уделяется взаимоотношениям ИТ с Бизнесом компании. Топменеджмент обращается в ИТ, как к двигателю Бизнеса, который может стать конкурентным преимуществом на рынке или значительно повысить эффективность внутренних бизнес-процессов компании. «Нездоровые» отношения между Бизнесом и ИТ способны привести организацию к серьёзным проблемам. В начале девяностых годов прошло века было введено понятие – стратегическое выравнивание Бизнеса и ИТ, которое означает взаимовыгодное сосуществовании Бизнеса и ИТ в рамках одной компании. Но перед тем, как приступать к структурным преобразования внутри компании, реинжинирингу бизнес-процессов и изменению взаимодействия Бизнеса и ИТ, нужно дать конструктивную оценку, в каком состоянии эти компоненты находятся, то есть понять, на каком уровне зрелости находится процесс стратегического выравнивания.

Ключевые слова: стратегическое выравнивание Бизнеса и ИТ, модели зрелости стратегического выравнивания, модель Люфтмана.

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