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DISSERTATION

Using the Strategic Alignment Model to explore alignment issues between business and IT in a large, financial services organisation in South Africa

by

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TABLE OF CONTENTS

LIST OF FIGURES

LIST OF TABLES

1. Abstract

In 1993, Henderson and Venkatraman proposed a Strategic Alignment Model (SAM) to stimulate thinking about the issue of business and IT alignment from different perspectives. Their model consists of four components across the two dimensions of *strategic fit* and *functional integration*, and calls for the recognition of cross domain relationships through four dominant alignment perspectives.

Using a qualitative research strategy and a case study methodology, this research used the (SAM) to explore the issue of alignment between business and IT in a large financial services organisation in South Africa. This was achieved by using Henderson and Venkatraman's (1993) characteristics that differentiate strategic alignment from traditional views on linkage as a yardstick to analyse the organisation's perspective on alignment and discuss it in light of the four dominant alignment perspectives identified.

A key finding from this study is that while there is an alignment problem, the organisation is going through a transition where it is shifting from a traditional perspective on alignment (*strategy execution* in terms of Henderson and Venkatraman's (1993) dominant alignment perspectives) towards a more strategic view. As a consequence of this transition, there is a visible disconnect between the rapidly changing expectations on IT and the underlying mechanisms and structures that are required for IT to be able to deliver. This disconnect can be seen as the two are contrasted and compared.

While the spark for this change has primarily been a general dissatisfaction with the state of IT, the introduction of new IT leadership has served as a catalyst for provoking the changes that are visible and has essentially become the flywheel that is providing the momentum to drive this change forward.

This finding supports and emphasises Hendersen and Venkatraman's (1993, p.482) assertion that:

> "The potential for IT impact is so varied and complex that the executive must consider these perspectives as alternative conceptual lenses and be prepared to continuously make adaptations"

- but further demonstrates that organisations may struggle as they make these adaptations, particularly if they are going through a process whereby they are broadening their perspective

on alignment from *strategy execution* to something more externally focused. This is particularly because of the inability of structures and processes to keep pace with the rapidly changing expectations of business executives, but also as a result of the potential for conflict to occur as the roles that both IT and business are likely to assume may not be complementary. Furthermore, these roles may differ in terms of the criteria they use to assess performance.

In addition to proposing specific recommendations on what the organisation can do to ease the transition from a traditional perspective on alignment towards a more strategic view, this research recommends that Henderson and Venkatraman's (1993) model be adapted to recognise three further elements that must be considered as part of the strategic alignment equation, namely: (a) values and beliefs; (b) expectations; and, (c) success criteria.

2. Introduction

The term "alignment" is often used in describing the various relationships between an IT function and the organisation that it forms a part of. It has been described and defined in many ways, all of which are applicable in some way or the other. It is often cited as a key ingredient in maximising the value of IT and, as a result, is always high on the list of concerns or aims of CEOs and CIOs alike (Armstrong, Chamberlain, Moore & Hart, 2002; Benson & Standing, 2008; Broadbent, 2000; Croteau & Bergeron, 2001; Davis & Olson 1985; Galliers, Merali & Spearing, 1994; Henderson & Venkatraman 1992; Henderson & Venkatraman, 1999; Johnston, Muganda & Theys, 2007; Kangas, 2003; King 1978; Luftman, 2005; Luftman, Kempaiah & Nash, 2006; Neiderman, Brancheau & Wetherbe, 1991; O'Brien & Marakas, 2006; Pearlson & Saunders, 2004; Reich & Benbasat, 2000; Rodgers, 1997).

As a consequence, alignment (between business and IT) is a frequently talked about and researched topic in the information systems world today, where broadly speaking, the focus is on understanding what alignment means, how and why it exists, why it's important, and recommending ways in which to achieve it.

A significant portion of research on the topic of alignment recognises the importance of *context* in making sense of the problem – regardless of the angle from which it is approached. It is from this emphasis on *context* that this research has been born, in that an opportunity to examine the phenomenon in its natural context had presented itself.

This opportunity was in the form of a large, financial services organisation in South Africa which felt that its IT function was not aligned to the overall business (FinServ Interviews A-V; FinServ Challenges Opportunities and Target Setting 2008, 2007; FinServ IT ExCo and ISSC minutes, 2007; FinServ Business Model Review, 2007; FinServ Risk Log, 2007, 2008; CIO Business Plan, 2008-2010; FinServ Service, Technology & Administration Business Plan, 2007; FinServ IT Strategy, 2008). What made this opportunity even more compelling is that there were signs that the organisation was starting to act on this perception by embarking on large scale transformation and change. This offered a unique opportunity to study the phenomenon *in motion*, whereby it was possible to analyse both the perceptions on

which the alignment problem is based, as well as the drivers and (early) direction of the change – and its appropriateness.

2.1 Background and Context of the Organisation

This research was conducted in a large, South African financial services organisation, which, for purposes of anonymity will be referred to as "FinServ" from here on. FinServ employs approximately 15,000 – 20,000 employees, has over 120 branches across the country and its annual operating expenses were approximately R7bn in 2007, of which R1.4bn was spent on IT.

As a business, FinServ has over the last few years, completed a transformation from a pseudo-conglomerate whereby different businesses were grouped together in a leaner, sharper and more responsive model that emphasises its focus on customer intimacy and operational excellence.

Economically, the business faces the same challenges and opportunities as other large, South African financial services organisations – high interest rates, increasing energy costs, transformational objectives in the form of Black Economic Empowerment (BEE) and Employment Equity (EE), low margins, massive regulatory change, increasing competition from non-traditional players, saturated markets and changing demographics. While not directly relevant to this study, these challenges and opportunities emphasise the importance of business IT alignment in an organisation.

Like most other organisations, particularly financial services ones, FinServ owned and controlled all of its IT assets in-house, until about the turn of the century when outsourcing became a viable (not to mention popular) alternative and outsourced its entire IT infrastructure to a third-party – a landmark deal which lasted seven years. FinServ has just gone through the selection and appointment of a new partner, and is currently in the process of transition from one to the other.

The rest of its assets, particularly its architecture and application development functions still remain in-house. In total, this retained IT function consists of approximately 500-600 employees. To further add to the pressure of transitioning from one infrastructure outsource

deal to another, the organisation is also going through a period where there have been changes to its IT leadership and underlying operating model (in line with but slightly lagging the organisational operating model) whereby more of IT has been centralised into a demand-supply type arrangement – a shift from the previous federated model.

Much of this change has been sparked by views that IT has become lethargic, is not aligned to the business strategy and while the rest of the business is moving into phase two of this strategy, IT is still in the starting blocks (FinServ Interviews A-V; FinServ Challenges Opportunities and Target Setting 2008, 2007; FinServ IT ExCo and ISSC minutes, 2007; FinServ Business Model Review, 2007; FinServ Risk Log, 2007, 2008; CIO Business Plan, 2008-2010; FinServ Service, Technology & Administration Business Plan, 2007; FinServ IT Strategy, 2008).

Amidst this change and largely in response to these views, the organisation is in the process of reviewing its IT strategy in order to: (1) ensure that the changes that are currently taking place are coordinated; and (2) identify the steps that need to be taken to best position the organisation for the future. It is against this backdrop that the research was conducted, and it is the views on the lack of alignment expressed above that form the starting point for this research.

2.2 Problem Statement & Specific Objectives

The general perception amongst business and IT management in FinServ is that IT is not aligned to the business (FinServ Interviews A-V; FinServ Challenges Opportunities and Target Setting 2008, 2007; FinServ IT ExCo and ISSC minutes, 2007; FinServ Business Model Review, 2007; FinServ Risk Log, 2007, 2008; CIO Business Plan, 2008-2010; FinServ Service, Technology & Administration Business Plan, 2007; FinServ IT Strategy, 2008). This perceived lack of alignment however, is described in various ways and it is unclear whether and how it exists – and more importantly, why.

In order to shed light on the problem and help move the organisation to a level where it understands why the problem exists and what can be done to resolve it, this research set out the following specific objectives:

- Analyse the organisation's perspective on alignment in light of the SAM proposed by Henderson and Venkatraman (1993) – and compare and contrast this perspective to what IT is expected to deliver;
- Identify the perceived and actual problems that exist with regard to alignment, as well as their causes;
- Suggest steps that can be taken to address the alignment problem;
- Utilise the findings from this case to complement Henderson and Venkatraman's (1993) model by exploring how its application in this unique case may contribute to and expand on its core ideas.

2.3 Importance of this Research

There is little disagreement that the alignment of IT and the business it serves is not only one of the most fundamental aspects of success, but also one of the most challenging.

In addition to dealing with this fundamental yet challenging issue, the importance of this research can also be seen in the application of one of the most recognised and referenced strategic alignment models – in an organisation where the issue is relatively fresh and visible enough to have prompted change. Conducting this research as this change began, therefore provided a unique window of opportunity whereby this crucial period in the transformation of an organisation could be analysed in depth, and the learnings from this data-rich period extracted and added to the body of knowledge.

There is also benefit to the organisation in question whereby this research created a positive awareness of the issues associated with the alignment problem, with the intention of starting a sustainable dialogue between business and IT, and moving beyond the recognition of the problem towards understanding and taking action to address it. Ultimately it is hoped that this research will at least improve and deepen the understanding of the business-IT relationship.

3. Literature Review

This research was born less out of a *gap* in the existing body of knowledge, and more out of an *opportunity* that presented itself in the form of an organisation that was experiencing the pains associated with the topic of alignment. An implication of this is that the primary intentions of the literature review are to position the selection of an appropriate lens through which to explore and analyse the case in question, specifically the SAM by Henderson and Venkatraman (1993), as well as to highlight how this research may complement the theoretical nature of the model by applying it to a real-life case. This research did not, therefore, assume that the starting point was a model that needed to be evaluated, validated or refined – and that a suitable case needed to be found in order to do so. It was, however, expected that by virtue of its application, there would be some implicit evaluation, validation and refinement.

3.1 Strategic Alignment: Origin & Context

Ever since organisations found use for information technology, the functions that have been responsible for providing this use (the IT function) are in most cases described as being separate or distinct from *the business* (Peppard & Ward, 1999).

One reason for this is that the technical nature of IT is so inherently different from other functions in an organisation that IT professionals focus more on the technology and the things it can do rather than on the success of the business (Backhouse, Liebenau & Land, 1991; Baets, 1996). This inherent difference further results in business professionals feeling unable to understand IT, let alone manage it (Lacity & Hirschheim, 1995) – a situation that has been shown to negatively impact the outcome of IS investments (Armstrong & Sambamurthy 1999; Basselier, Benbasat & Reich, 2003; Broadbent & Kitzis 2005).

Other reasons can largely be attributed to *culture* (Taylor-Cummings, 1998; Peppard & Ward, 1999), particularly because the introduction of IT into most large organisations had taken place long after their value systems and behaviours were developed (Macmillan, 1997; Peppard & Ward, 1996), leaving the newcomer struggling to fit in. The result is a function that starts to develop its own value system and behaviours, which often results in an element of distrust (Bashein & Markus 1997, Miller 1993). Peppard and Ward (1999, p.30) however,

believe that "culture is a symptom rather than the cause of an ineffective relationship between the IT organization and the rest of the business."

This separation or distinction has meant that organisations have always been trying different approaches and methods to exploit and leverage IT. Where these have been successful, its value has been evident (McKeen & Smith, 2004; Ward & Daniel, 2006). However, failure has often led to the perception that IT is simply an overhead or cost of doing business, leading many organisations to outsource it (Earl, 1996a; Lacity, Willcocks & Feeny, 1996; Venkatraman, 1997; Lacity &Willcocks, 2000) even though it is widely recognised that often the measures on which success and failure are based are somewhat problematic (Strassmann, 1985; 1990; 2001; Fowler & Walsh, 1998; Franz & Foster, 1999). This leads some to distinguish between *actual* and *perceived* performance (Hirschheim, Porra & Parks, 2003).

In any event, the ubiquitous nature of IT means that it will continue to embed itself deeper and deeper into most organisations, amplifying the potential gains (and losses) to be had (Xia & King, 2002). IT should therefore no longer be regarded as a support function, but an integral part of any business strategy (Kearns & Lederer, 2003; Luftman, 2005; O'Brien & Marakas, 2007).

Putting aside the issues or problems that plague the business-IT relationship – whether real or perceived – the key message that stands out is that there is some sort of disconnect that has resulted in mental separation of the two entities (*IT* and *the business*). Given that IT is becoming increasingly important to the future success of an organisation, the inability to maximise the value derived from it is a critical problem to solve (Wehmeyer, 2004).

3.2 The need for Strategic Alignment

In acknowledgement of this dichotomy, as well as the implied notion that the two will never be fully integrated, has stemmed the need for the next best thing – alignment between IT and the business it serves. This topic (alignment) has been a concern of IS academics and practitioners alike, particularly the lack thereof (Armstrong, Chamberlain, Moore & Hart, 2002; Benson & Standing, 2008; Broadbent, 2000; Croteau & Bergeron, 2001; Davis & Olson 1985; Galliers, Merali & Spearing, 1994; Henderson & Venkatraman 1992; Henderson & Venkatraman, 1999; Johnston, Muganda & Theys, 2007; Kangas, 2003; Kearns & Lederer,

2003; Kearns & Lederer, 2004; King 1978; Luftman, 2005; Neiderman, Brancheau & Wetherbe, 1991; O'Brien & Marakas, 2006; Pearlson & Saunders, 2004; Reich & Benbasat, 2000; Rodgers, 1997).

Strategic alignment, described as the degree of integration, relative cohesion or fit between business strategic orientation and IS strategic orientation (Chan, Huff, Barclay & Copeland, 1997) is a contentious topic largely because it has been cited as a key ingredient in extracting value from IT (Applegate, Austin, & Mcfarlan, 2003; Chan, 1997; Peppard & Ward, 1996; 1999; 2000; Luftman et al, 2006; Tallon, 2008; Huber et al, 2008). Alignment between "business strategic orientation and IS strategic orientation" are often described more simplistically in terms of alignment between business strategy and IS strategy, where the business strategy is the 'where', the IS strategy the 'what' and the IT strategy the 'how' (Earl, 1989, as cited in Sabharwal & Chan, 2001).

Luftman (2003, pp.384) refers to IS strategy as:

> "a set of decisions made by IT and functional business managers that either enable or drive the business strategy. It leads to the deployment of technology infrastructure and applications, and human competencies that will assist the organization in becoming more competitive."

Except for Tan (1999), a similar, *top-down* line of thinking has also been adopted by many others like McBride (2004), Clarke (2005), McKeen and Smith (2003), Peppard and Breu (2003), Silvius (2007); whereby the business strategy is assumed to be separate or distinct in its existence from an IS strategy, and that the latter is always a response to the former.

However, Benbasat and Reich (2000, p.82) distinguish between strategies or plans and commitment, and refer to two dimensions of alignment – the intellectual dimension:

> "the state in which a high-quality set of interrelated IT and business plans exists;"

and the social dimension:

> "the state in which business and IT executives within an organizational unit understand and are committed to the business and IT mission, objectives, and plans" (Reich & Benbasat, 1996, cited by Benbasat & Reich, 2000, p.82);

and go on to highlight that the *social dimension* has always been the more problematic one. Chan (2002) suggests that the *social dimension* is one of the aspects of alignment that is still not well-understood.

Lutchen (2004) expresses a different view to Benbasat and Reich (2000) in suggesting that perhaps the reason for failure to deliver business value is to be found somewhere between the two extremes of 'high-level plans' and 'execution', and is a result of insufficient attention and resources on the area in the middle — or what is often referred to as the IT Delivery Gap.

3.3 Approaches to achieve strategic alignment

While there are some researchers who argue that academics and practitioners should move beyond the recognition of a distinction between business and IT and see the two as one (Johnston, 2008), others have proposed solutions on how to achieve this alignment. These are mostly in the form of frameworks, models, methodologies and guidelines, and tend to focus on specific elements of the business-IT alignment issue.

These solutions were first put forward in the early 1980's, and for a long time, most followed the trend of describing business-IT alignment largely in terms of their respective strategies, with the business strategy generally dictating the direction which IT followed (apart from perhaps Bakos and Treacy (1986)). In addition to Henderson and Venkatraman (1993) whose work is discussed at length in section 3.4, more balanced models have emerged since then. For example, Peppard and Ward (1999, p.30) developed a framework to "diagnose and describe" the gap between business and IT. This framework focuses on four elements: Leadership, Structure and Processes, Service Quality and Values and Beliefs, and proposes that these be addressed within the context of the overall organisation's strategy. A distinguishing characteristic of this model is that strategy is seen as a necessary starting point, but does not by itself ensure a strong relationship between IT and the business.

Tallon (2008, p.227) adopts a somewhat different perspective by taking on a process-oriented approach to strategic alignment by:

> "looking more closely at how IT can support individual processes rather than how IT can support an entire strategy."

He argues that while strategic alignment is key to business success, the analysis of alignment at an organisational level is too generic, preventing one from unravelling the multifaceted nature of alignment and does not help to isolate areas of concern.

Luftman (2000; 2003; 2005) has focused significant attention on developing and refining a methodology for measuring the maturity of alignment. His work is based on the Carnagie Mellon's Software Engineering Institute's Capability Maturity Model (or CMM), and its primary objective is to assess an organisation and identify recommendations for improving the level of alignment between business and IT. There are six alignment criteria that are used to do this: (1) Communications Maturity; (2) Competency/Value Measurements Maturity; (3) (4) Governance Maturity; (5) Partnership Maturity; (5) Technology Scope Maturity; and, (6) Skills Maturity. Motjolopane and Brown (2004) have developed a similar model specifically for Public Institutions of Higher Learning.

Others have chosen to focus on more specific angles of alignment like strategic integration (Applegate, Austin & Mcfarlan, 2003; Broadbent & Weill, 1993; Broadbent & Weill, 1998; Jarvenpaa & Ives, 1994; King & Teo, 1997; Barney & Hesterly; 2006), the fit between organisational structure and the use of IT (Brown & Ma gill, 1994 ; Chan, 2002), value (Australian Government, 2005; Huber, Piercy, & McKeown, 2008) and harmony (Reich & Benbasat, 1996; Tan, 1999). More recently, models that explore the dynamics between the various market forces on alignment (Peppard & Breu 2003; Benbya & McKelvey 2006) and scenario planning (Scott, 2005) have emerged, as well those that emphasise the importance of people and how they are managed (Schafer, 2004; Hu & Huang, 2006).

Some researchers (McBride, 2004) however, argue that the dynamic nature of strategy renders many models and methodologies ineffective as market conditions change, and that enablement, rather than rigid alignment is what organisations should strive for (Moody, 2003). This view is supported by Ciborra (1997; 1999) and Maes (1999) who suggest that most models and methodologies assume structured environments under full control – an environment that is somewhat distant from the reality of most organisations that face much uncertainty in a very complex world.

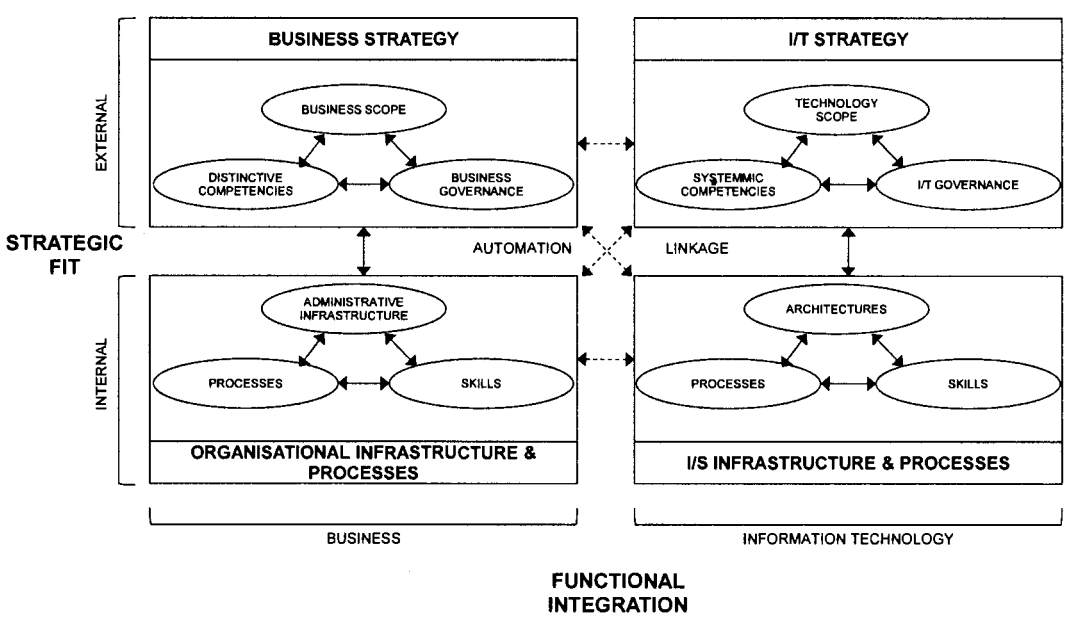
One model that did not follow this rigid approach to strategy was the one developed by Bakos and Treacy (1986), which distinguishes between three levels at which IT relates to corporate strategy: (1) the internal, (2) competitive and (3) the business portfolio levels, with specific emphasis on the recognition of the distinction between the role IT has to play *internally* within the organisation, as well as *externally* in the marketplace.

3.4 Henderson & Venkatraman's Strategic Alignment Model (SAM)

Taking this internal/external concept further, Henderson and Venkatraman (1993) developed the Strategic Alignment Model or SAM as it has come be known, and have used it to argue that sustained competitive advantage is achieved not through any specific technology or application, but rather through the capability of an organisation to exploit IT on a continuous basis (in contrast to others, for example, Kearns and Lederer (2000), who suggest that competitive advantage can be achieved through the use of strategic IT applications). This notion of sustained competitive advantage, along with Henderson and Venkatraman's concept of strategic alignment is based on two fundamental assumptions: (1) business performance is directly related to the ability of an organisation to create a strategic fit between its positioning in the external marketplace and the underlying or internal process and mechanisms required to execute on this positioning; and, (2) this strategic fit is "inherently dynamic" (Henderson & Venkatraman, 1993, pp.473).

One of the key strengths of the SAM is that it clearly captures the strategic choices facing managers when aligning business and IT, and goes on to unpack how these choices relate to each other (Wehmeyer, 2004). It is based on two fundamental components: strategic fit, and functional integration, and is represented in figure 1:

Figure 1: Henderson & Venkatraman's (1993) Strategic Alignment Model



Strategic fit describes the degree to which the external positioning (which reflects an organisation's decisions related to the market in which it operates) and the internal arrangement (which reflects choices related to the underlying processes in the organisation) correlate.

Applied within the business domain, this concept would describe the degree of correlation between external strategic choices about product-market offering, differentiation from competitors, buy-build decisions, strategic partnerships and alliances, etc. and the internal choices that relate to the organisational structure and arrangement, the design of critical business processes, the acquisition of human resource skills, etc.

Henderson and Venkatraman argue that in the same way that the fit between external positioning and internal arrangement in the business domain are critical for maximising performance, so too is the importance of the fit between these two components in the IT domain. This logic, combined with the notion that managers have conceptual difficulty in associating IT strategy with the external domain is then used as the basis for proposing three sets of choices that relate to the positioning of the organisation in both components of the IT domain:

A. In the external market place:
    1. *Information Technology Scope*: The set of technologies that support and enable current and future business strategies;
    2. *Systematic Competencies*: The set of attributes of the IT strategy that contribute to the business in the same way business attributes are used to distinguish or differentiate the organisation e.g. value, risk, agility, etc.;
    3. *IT Governance*: Selection and use of mechanisms for obtaining these competencies;
B. In the internal arena:
    1. *IS Architecture*: The set and configuration of technologies that underpin the business processes and administration;
    2. *IS Processes*: The set of processes required to be able to execute and deliver;
    3. *IS Skills*: The set of skills required to be able to execute and deliver.

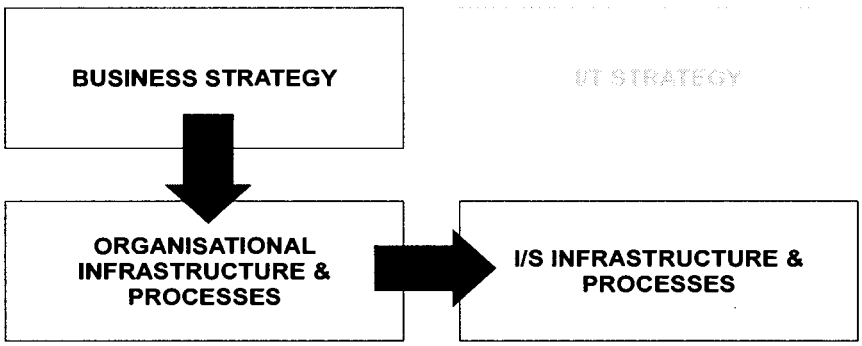
The reason for making this important distinction is largely due to the observation that organisations tend to view choices pertaining to IT only in terms of the latter (internal) domain, and fail to recognise the impact of IT on the organisation's external positioning (Henderson and Venkatraman (1993). In addition to recognising the external domain, Henderson and Venkatraman argue that it is just as important to ensure that there is strategic fit between these the two IT domains as it is to do so between the internal and external business domains.

Functional integration (refer to figure 1) describes the level of integration between the business strategy and IT strategy, specifically how choices made in one domain affect the other. Henderson and Venkatraman (1993) highlight that most research tends to focus on the issues with regard to integrating the internal domains, and go on to emphasise the importance of not ignoring the external domains i.e. focusing on both *operational integration* and *strategic integration.*

The concepts of *strategic fit* and *functional integration* are then brought together to illustrate the logic of strategic alignment and can be used to assess the range of strategic choices and how they interrelate (Ward & Peppard, 2002). Furthermore, effective management of IT requires a balance among these strategic choices (Henderson & Venkatraman, 1993). The balance of these choices across all four domains is reflected in what is referred to as the *four dominant alignment perspectives*:

3.4.1 Strategy execution (business dominant): IT is seen as a support function

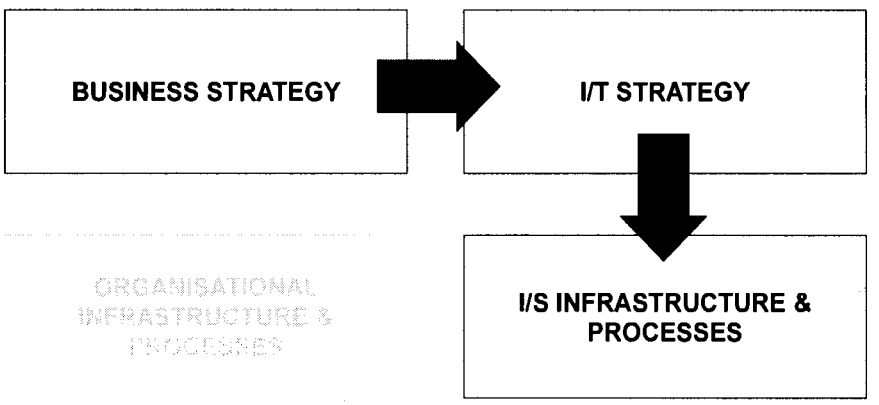
Figure 2: Strategy Execution Perspective



This perspective typifies the most prevalent type of alignment – the hierarchical view, whereby the business strategy is the driver in that there is a strategy formulation process, and a subsequent implementation process. Business Systems Planning, Enterprise Modelling and Strategic Information Systems Planning (or SISP) are three popular methodologies that are based on this thinking. In this perspective, the primary measure of success for IT is financially-based and generally reflects a cost-centre focus.

3.4.2 Technology transformation (business dominant): IT is seen as an enabler

Figure 3: Technology Transformation Perspective

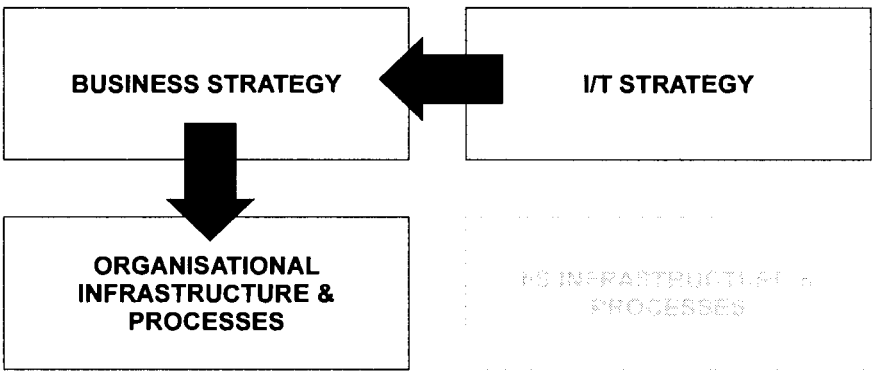


In this perspective, the chosen business strategy is also the driver and is implemented through an IT strategy and the internal IT capabilities in the organisation. It is distinguished from the strategy execution perspective in that it is not constrained by the current organisation design but has the freedom to explore IT in the context of the external marketplace.

The role of business managers here is to articulate a technology vision that will support the business strategy, whereas the role of the IT manager is that of a technical architect who is the implementer of the IT strategy. The primary measures of success in this perspective are more focused on technology leadership and looking at IT in the context of the external marketplace.

3.4.3 Competitive potential (IT dominant): IT is seen as a partner

Figure 4: Competitive Potential Perspective



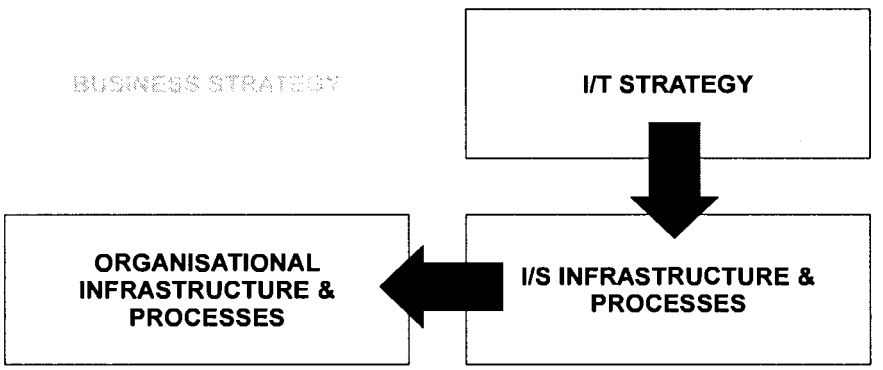
This perspective looks at how technology can be exploited and actually leads the business strategy e.g. in terms of new products or services, new competencies, etc. It does not consider the business strategy as a 'given' and allows technology to play a very influential role in developing the business strategy.

The role of business management in this perspective includes articulating how the IT may influence the business strategy. The role of the IT manager is to help the business managers connect the opportunities. The primary measure of success in this perspective is based on business leadership and uses metrics that are generally considered exclusively for business use only.

The role of business management here is of demand management whereas the IT manager is the one who does supply management. Performance is measured primarily by customer satisfaction, services levels and benchmarking.

3.4.4 Service level (IT dominant): IT is seen as a supplier

Figure 5: Service Level Perspective



This perspective looks at how IT can become the best service provider to a business in a relationship that is almost commercial-like. Business strategy is viewed in light of the demand it creates for IT. Henderson and Venkatraman (1993) believe that this perspective is often viewed as necessary, but not sufficient to ensure the effective use of IT.

A similar approach to the *dominant alignment perspectives* can be seen in the work of Weiss, et al. (2006) who suggest that one size does not fit all and developed a contingency model with three types of alignment profile: IT as a technical resource, business enabler or strategic weapon.

Henderson and Venkatraman (1993) cite four characteristics that, for them, differentiate strategic alignment from the traditional linkage of business and technology strategies:

Table 1: Characteristics of Organisations that focus on *Traditional Linkage* vs. *Strategic Alignment*

Characteristics	**Traditional Linkage**	**Strategic Alignment**
Predominant focus of information systems and technology	Internal I/S function and organisation	Internal I/S function and organisation and external IT marketplace
Management objectives	Ensuring that I/S activities are linked to business requirements	Selecting appropriate alignment perspectives for achieving business objectives
I/S executive roles	Line leadership and I/S functional support	Multiple executive roles for line and I/S managers
Dominant criteria for performance assessment	Cost and service considerations	Multiple criteria

Henderson and Venkatraman's (1993) key messages are as follows: Firstly, that effective management of IT requires a balance among the choices made across all four domains and hence, the need to recognise that all four domains are important.

Secondly, that no one perspective is necessarily better or more appropriate than the other, and that the dynamic nature of strategy means that firms will need to adapt and evolve from one perspective to another over time. The intention of the model is to present alternative perspectives, and allow organisations to consider these so that all critical issues are addressed through their strategy. Previous strategic models have failed as a result of their inadequate consideration of the dynamic nature of strategy.

Thirdly, to recognise there will different roles that may be required that are dependent upon the perspective that is being adopted at any point in time, and fourthly, evaluation of IT's performance must be viewed as multi-dimensional and treated in the same way as the four domains.

While Henderson and Venkatraman's (1993) SAM is recognised as one of the seminal works on business-IT alignment and has provided the foundation for many other models dealing with the issue of alignment (Maes, 1999; Luftman, 1996; Maes et al, 2000; Goedvolk, 1999; Papp, 2005), it has also been the subject of criticism. Most notably, Ciborra (1999, pp.69) argues that while the model does have conceptual value, it hides the "messiness" of everyday business, resulting in a situation where:

> "managers who have been exposed to such illusionary models, presented as the outcome of quasi scientific studies, are left alone and disarmed in front of the intricacies of real business processes and behaviours."

However, despite questions about the SAM's mechanistic representation of the real world, there is no dispute that it constitutes a valid theoretical foundation for further investigation on how to achieve practical business value from ever-increasing IT investments (Luftman, Lewis & Oldach, 1993; Broadbent & Weill, 1993; Luftman, 1996; Saaksjarvi, 1997; Bergeron, Raymond, & Rivard, 2004; Avison, Jones, Powell & Wilson, 2004).

It is because of this valid theoretical foundation, as well as its ability to simplify the complex relationship that is inherent in any notion of strategic alignment that the SAM model has been selected to explore the issue of business and IT alignment at FinServ. The characterisations it provides by way of its *dominant alignment perspectives* are particularly useful in providing multiple angles from which to view the issue of alignment, as most other models or frameworks fall into the trap of recognising and operating under the assumptions of only one of these perspectives.

In addition, there will always be a need to continuously challenge and interrogate our existing assumptions, beliefs and knowledge using the research process, and so it is in this context that Henderson and Venkatraman's model is applied. The defining characteristic of this specific case (in addition to the lack of alignment) is that of undergoing change to *address* this lack of alignment, which also provides a certain uniqueness in that the dynamics of this changing environment will heed Smaczny's (2001) calls for more studies to focus on how organisations actually achieve alignment. It will also in a sense (while not explicitly focusing on it as a specific objective) start to explore the views expressed by Ciborra (1999) by using the abstract concepts in Henderson and Venkatramans's SAM to explore the messiness of the real world.

This research also responds to Baina, Ansias, Petit & Castiaux's (2008) frustration that while:

> "the SAM is widely admitted as a de facto standard tool for strategic alignment measure and improvement, strategic alignment analysis is often based on subjective [likert based] interviews."

It does so by adopting a qualitative strategy in an attempt to capture the real life that has been lacking in research on strategic alignment (Chan & Reich, 2007). This means that in addition to utilising the model as a lens to explore a perceived alignment problem in the organisation, this research may also have a secondary role to play in validating, refining and complementing the SAM or its recommendations. In doing so, it will add to the research that Henderson and Venkatraman (1993, p.482-483) hope "will go a long way towards providing a set of ideas, tools, and illustrations to leverage the emerging capabilities of IT for transforming organisations and markets."

4. Research Design

This section describes in detail how this research was conducted, and provides a context for the discussions and conclusions later on. This is necessary as the nature of research is such that its outputs and conclusions can only be understood in light of how they were derived. For example, philosophical assumptions about the nature of research, knowledge, method of inquiry and the role of the researcher can each influence the outputs of the process quite dramatically. These are described in sections 4.1 – 4.3.

Sections 4.4 and 4.5, namely, Data Sources and Collection and Preparation and Analysis describe why and how the data used in this research was collected, analysed and interpreted in order to reach meaningful conclusions.

4.1 Research Strategy

The goal of this research is discover, analyse and understand the social and intellectual phenomenon of strategic alignment, as opposed to predicting or controlling a natural phenomenon. More specifically, the focus is on understanding the very essence and nature of the phenomenon and how it is perceived by social beings in its natural setting. Thus, context and meaning are key anchors of the research.

This research therefore follows a qualitative approach. Qualitative research can be described as:

> "an array of interpretative techniques which seek to describe, decode, translate and otherwise come to terms with meaning, not the frequency, of certain more or less naturally occurring phenomena in the social world" (Van Maanen, 1983; p.9).

Thus, the value of the data is generated by being immersed in context and is measured in terms of its richness and quality, not how much or how many (Smith, 2005).

4.2 Research Philosophy

This study will be conducted from an interpretive perspective i.e. it assumes that our knowledge of reality is a social construction by human actors. In this view,

> "value-free data cannot be obtained, since the enquirer uses his or her preconceptions in order to guide the process of enquiry, and furthermore the researcher interacts with the human subjects of the enquiry, changing the perceptions of both parties" (Walsham, 1995, p.376).

Orlikowski and Baroudi (1991, p.13) add that,

> "reality, as well as our knowledge thereof, are social products and hence incapable of being understood independently of the social actors (including the researchers) that construct and make sense of that reality."

It therefore assumes that access to reality is only through social constructions such as language, consciousness and shared meanings – rather than (positivist) measurable properties. Another key assumption of the interpretive tradition is that the objective of research is based on achieving *understanding* rather than *prediction* (Burell & Morgan, 1979). In embracing the interpretive tradition, this research recognises and aims to conform to the set of principles developed by Klein and Myers (1999) for the conducting and evaluating interpretive field research (see appendix 10.2: "Summary of Principles for Interpretive Field Research" for an overview of these principles extracted from Klein and Myers, 199, p.72).

Furthermore, this research takes the pragmatic position where there is believed to be an objective reality, existing externally to the individual, but that this objective reality is grounded in the experience of each individual, and can only be imperfectly understood (Hirschheim et al, 2003). In other words, what an interpretive researcher presents is "interpretations of interpretations" (Peppard & Ward, 1999, p.41), or what Geertz (1973a, p.9) refers to "constructions of other people's constructions of what their compatriots are up to."

This research is also cognisant of the notion that the prior assumptions, beliefs, values and interests will always influence the output of any study.

4.3 Research Methodology

This study used the case research methodology. Benbasat, Goldstein & Mead (1987, p.370) define the case study as a research methodology that "examines a phenomenon in its natural setting, employing multiple methods of data collection to gather information from one or a few entities (people, groups or organisations). The boundaries of the phenomenon are not clearly evident at the outset of the research and no experimental control or manipulation is used." In essence, a case study can be described as interpretation in context (Cronbach, 1975).

According to Benbasat, Goldstein and Mead (1987, p.372), in determining the most appropriate research strategy there are four key questions that must be considered:

i. Can the phenomenon of interest be studied outside of its natural setting?
ii. Does the phenomenon of interest enjoy an established theoretical base?
iii. Is control or manipulation of subjects or events necessary?
iv. Must the study focus on contemporary events?

These questions were considered as part of the research strategy selection for this research, with the decision to use the case study approach being justified as follows:

The issue of business-IT alignment is one that can never be separated from the context of the very environment in which it was created. Any study that seeks to explore, understand or evaluate how a business strategy is supported and enabled by IT (or however else one may chose to define the notion of alignment) outside of its natural setting will be missing a key element of the concept – that of context. And even while the topic of business-IT alignment enjoys an established theoretical base, the aims of this particular research place too much emphasis on the context for it to be explored outside of its natural setting.

Building on the importance of context, manipulation of any kind will erode the value or richness of the research. As for the contemporariness of business-IT alignment, one could argue both ways – however, the importance of and correlation between the other three questions clearly dictate that this last question is a non-issue.

Further support for the selection of this strategy is gained from the fact that it is also in line with Chrisenson's (1976) view that as trial and error is a necessary process for knowledge accumulation, capturing and testing is key steps towards formalising the knowledge. These key steps (i.e. capturing and particularly testing) are best achieved through case research.

In terms of application, the following aspects deserve discussion:

4.3.1 Unit of Analysis

The unit of analysis for this research was the organisation itself, even though the focus does distinguish between the business and IT functions.

4.3.2 Single- versus Multiple Case Design

A single-case design was adopted simply because this was a revelatory case, if compared to Yin's (1984) criteria for determining whether a single- or multiple-case approach is the most appropriate. This is largely due to the opportunity to conduct deep, qualitative research in a large financial services organisation where access to key executives in the organisation was made available. This also dictated the site selection. In essence, this case provided richness of data that was just too difficult to pass up.

4.3.3 Multiple Data Collection Methods

The data collection methods that were employed are described in detail in the section on *data sources and collection.* At this stage it is important to mention that multiple methods were employed which contributed to a rich set of data surrounding the specific research questions and context. This rich data allowed the analysis and exposition to establish a clear chain of evidence that supported the hypotheses and conclusions – thus Yin's (1984) caution of ensuring that the research is more than an exercise in storytelling, and that it should adhere to certain rules of procedure, is well heeded.

4.4 Data Sources & Collection

Myers (1997) suggests that many qualitative researchers prefer the term *empirical materials* to data (due to the non-numeric nature of qualitative data). The empirical materials required for this research can be broadly categorised in terms of the aspects that were analysed, and are summarised in table 2:

Table 2: Primary Data Used as Part of the Analysis

Aspects that were analysed	Primary Data Used
How the organisation formulates its strategy and plans	▪ Strategy and business planning process document ▪ Business plan documents
What the business executives and key decision makers believe about IT and where it must contribute	▪ Interview notes ▪ Strategy and business plan documents ▪ Various e-mails
The different types of roles in the business and IT that drive IT performance	▪ Interview notes ▪ Descriptions of the organisation's operating model and underlying structures and mechanisms ▪ Business planning process documents
The impact of organisational structures and the operating model	▪ Descriptions of the organisation's operating model and underlying structures and mechanisms (found in various communication documents) ▪ Business model review documents
How the IT function measures itself – and how the business executives measure IT	▪ Interview notes ▪ IT function scorecard ▪ IT employee scorecards ▪ Minutes of meetings ▪ Strategy and business plan documents
The mood or sentiment of the organisation at this point in time – within the business and IT, as well as holistically	▪ All

There were two primary sources of data:

4.4.1 Document-Based Data

Those that were document-based and obtained from various individuals within the organisation. These included strategy and business planning process, business plans, e-mails, minutes of meetings, etc.

4.4.2 Interview Data

Those that were collected through interviews with key business executives. Details on the interviewee sample and how the interviews were conducted are presented in sections 4.4.2.1 – 4.4.2.3 below:

4.4.2.1 Interviewing sample

The sampling strategy used for this research can be described as purposive, with the key criteria set being senior business executives (general managers and business unit managing directors) who depend on IT in order to run their business unit. The executives and their level in the organisation are listed in figure 6 (note that the letters next to each role of those interviewed are used to refer to them in section 5).

Figure 6: List & Level of Interviews (highlighted in green)

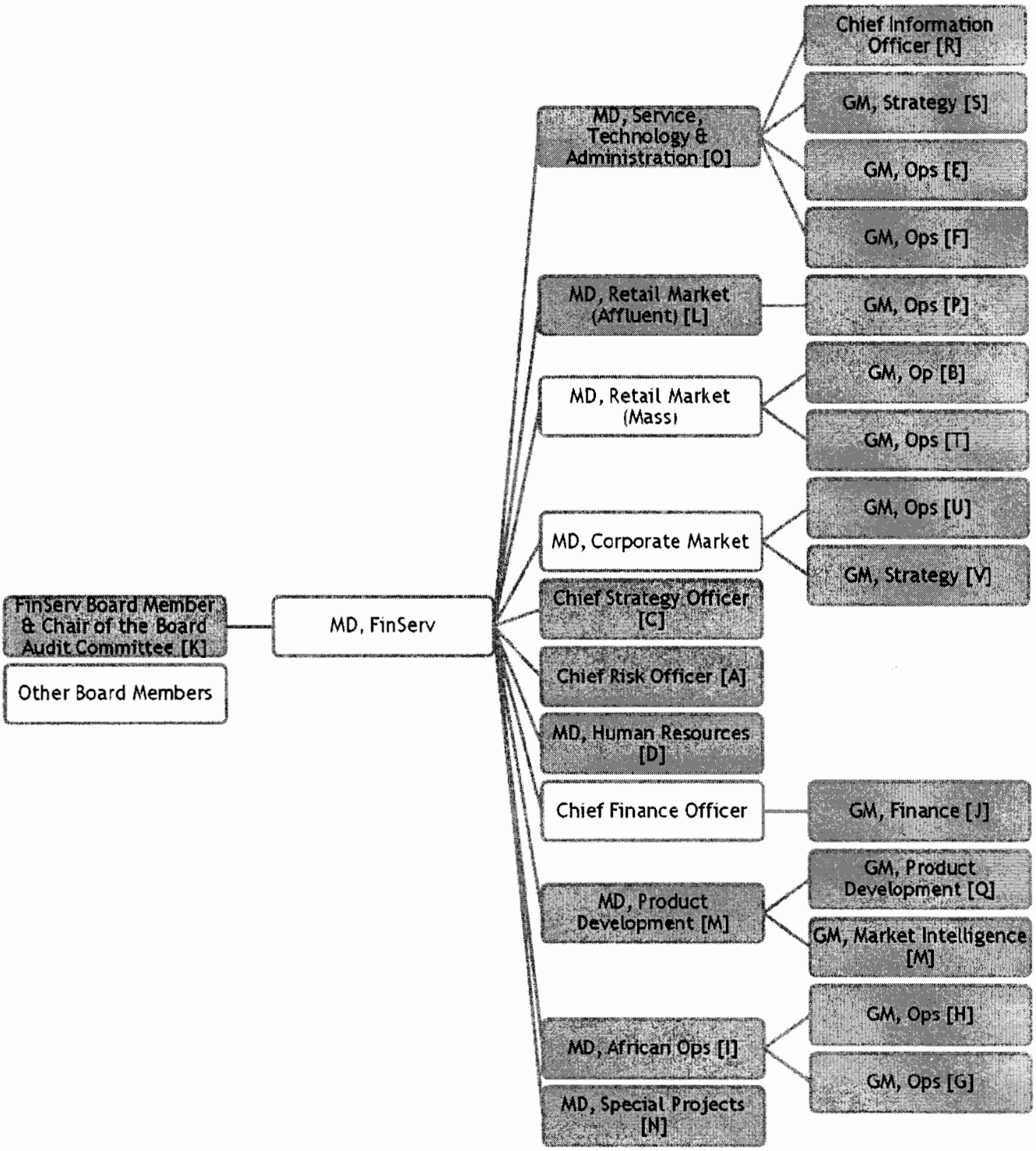
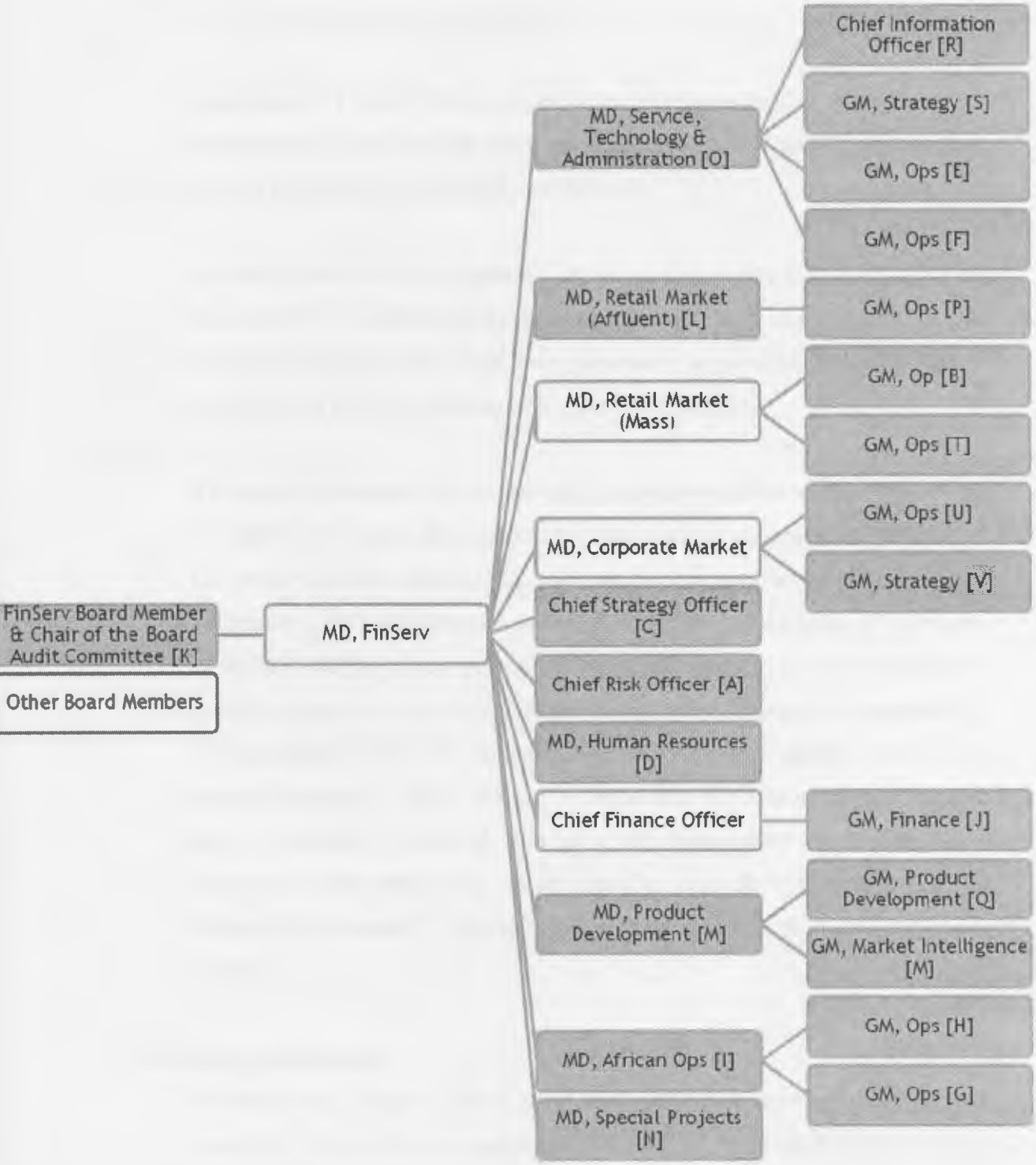


Figure 6: List & Level of Interviews (highlighted in green)



The interviewing sample constituted of approximately:

- 73% of FinServ Executive Committee Members;
- 40% of all General Managers.

According to Patton (1990), purposive or criterion sampling ensures focused analysis and quality results (and, as demonstrated in figure 6, the selection criteria favoured the more senior executives).

In order to achieve this, a primary list of candidates was created by applying the criteria to individuals in the organisation, with the recognition that snowball sampling may have been necessary to uncover further interview candidates in order to create as rich a picture as possible.

The interview process did not include IT executives as the main objective was to collect and analyse data about where the issue of alignment stemmed from i.e. senior business leaders. As noted in the literature review, the problems encountered with measurement underscore the fact that the issue of alignment, while very real, is largely perception based and needs to be understood in the specific context in which it originates. It is with this in mind that interviewing IT executives, while not explicitly excluded from the sample, were not a primary objective. While one could argue that the outputs of this research may not present a balanced view as it did not consider 'both sides,' it is important to note that it was not the intention to compare and contrast views between business and IT leaders as has been the case in similar research of this nature.

4.4.2.2 Interviewing style

Welman and Kruger (2001) point out that interviews may vary from completely structured to completely unstructured in much the same way as participant observation. For this research, all interviews were semi-structured and conducted using a non-directive technique. This focused the discussion on specific issues but permitted individuals to expand on personal but related aspects. Often participants want to tell an interviewer just their version of the

whole story rather than focus on the primary areas of the research, so as per Mason, McKenney and Copeland's (1997) suggestion, this research aimed to balance the need for getting open-ended story with getting answers to specific questions.

Throughout the interview, attempts were made to understand how individuals experience their life-world and how they make sense of what is happening to them. To achieve this, questions were directed at the participant's experiences, feelings, beliefs and convictions about the issues in question. Care was taken not to suggest certain responses e.g. by asking leading questions.

4.4.2.3 Interview Content

The interviews were structured along two components:

1. The business priorities or key actions and what it means for IT
2. The issues or pain-points that are experienced with regard to IT

These components essentially encapsulate the discussion from the perspectives of both demand and supply of IT products and services, and provided the anchor for the discussion that followed. This format roughly maps to Henderson and Venkatraman's (1993) model in the following manner:

Table 3: Mapping of Interview Components to Internal & External Domains

	Business Strategy	**IT Strategy**
External	Business priorities/key actions	And what it means for IT (enhance IT)
Internal	Pain points/issues (optimise IT)	

The two components further relate to the aspects that were analysed i.e. what the business executives and key decision makers believe about IT and where it must contribute, the different types of roles in the business and IT that drive IT performance, and how the business executives measure IT.

In order to maximise the time spent with each interviewee, as well as to provide a clear context within which to conduct the interview, preparatory material was produced and distributed prior to the interviews. This material included a summary of business priorities and pain-points as articulated in FinServ's latest business plan, and was used as a starting point from which the interviewee could answer questions and participate in the discussion. The potential impact on IT was also listed, though in some cases the impact was not immediately evident (these cells were marked with a "?"). These materials were tailored to each interviewee (as each of them is responsible for different areas of the business that had somewhat different business priorities). Example extracts from one of the preparatory materials for the interviews with executives from the Retail segment are presented in table 4 and table 5:

Table 4: Preparatory Material: Business Priorities & Potential IT Impacts

Retail Priorities		**Potential IT Impact**
Grow distribution steadily and selectively through	Growing the number of advisors	▪ ?
	Upgrading and increasing the number of branches	▪ ?
Address economics of distribution channels through	Cost reduction	▪ Drive IT cost reduction hard: ▪ Rationalise and consolidate where it makes sense ▪ Potentially automate more processes
	Moving more admin to shared services	▪ ?
	Investing in alternative sales models	▪ ?
	Increasing productivity	▪ ?
	Cross-sell to existing customers	▪ Ensure that information management capability can deliver
Respond effectively to new commission regulations to ensure the sustainability of FinServ's channels		▪ Ensure changes to product and commission systems can be delivered
Deliver product launches/enhancements and changes to pricing to maintain competitiveness		▪ Rationalise product rules and processes for investment platform ▪ Ensure investment platform migration is a success

Table 5: Preparatory Material: Pain-Points with IT & Impact

Dimension	Identified pain point	Impact on internal and external customers
Reliability	FinServ's IT solutions are not reliable	▪ Staff are interrupted during their workday and work falls behind due to the interruptions ▪ Customers cannot always get the answers from IT at their convenience
Delivery Time	FinServ take too long to deliver their IT solutions	▪ Project scope is reduced to make external deadlines and fewer projects are delivered than are desirable ▪ IT value for money is perceived as poor ▪ FinServ offers less functionality than competitors and servicing is not up to scratch ▪ FinServ is not an industry leader in enabling clients with improved servicing using new technology
Costs	FinServ don't know which levers they should pull to make significant changes to IT costs	▪ FinServ's internal customer perception is that IT value for money is poor ▪ IT costs don't scale with business revenue – they don't automatically reduce during a business downturn
	FinServ's IT costs are unpredictable	▪ Budgets and savings targets are blown as a result of having to cater for unbudgeted IT expense items
	The cost of FinServ's IT solutions is too high	▪ Perception of poor value for money from FinServ IT
Customer Service	FinServ do not know for certain where the most reliable version of data resides	▪ FinServ's customer-facing people suffer embarrassment when customers criticise them for giving inaccurate information; we spend time & money reconciling information that we previously thought was reliable ▪ Customers' frustration with what they perceive as incompetence; they lose faith in IT; they don't know what they can trust once key information has been relayed incorrectly
	FinServ are not improving their customers' service experience	▪ Time-consuming manual work (e.g. capturing info into notepad or writing on paper) ▪ The customer has limited means of getting access to FinServ's services (phone, branch), FinServ often don't meet basic customer requirements or seldom delight customers
Market Penetration	FinServ's capability to enable cross and up sell is underdeveloped	▪ There is no easy way to view external customer's entire product portfolio across the various BU's or to obtain and use information about the external customers entire portfolio in order to identify cross- and up-sell opportunities ▪ The external customer might experience that he obtains better service from competitor companies with this capability
	FinServ are not being innovative	▪ Gap in FinServ's product/service offering ▪ The customer is unable to access FinServ's products

On beginning the interview, each interviewee was asked to confirm the requirements or pain-points (which served as a validation process) and highlight any gaps. For example, many indicated that there were additional pain-points like security, ease-of-use, functionality, data quality, people capabilities, regulatory, etc. that need to be captured. Interviewees were also asked to indicate the priority of requirements and impact of the pain-points.

These confirmations, gaps, priorities and impact questions opened up the discussion to the heart of the objective of the interview, particularly by probing further with "why?" questions. While there were no explicitly prepared interview questions, the following were asked when necessary in order to drive the discussion in the desired direction:

- What do you understand by the term, "business-IT alignment", and how is it relevant to IT in this organisation?
- What do you believe IT's role in the organisation is, and where is its major contribution to be made?
- What do you see as the different types of roles in the business and IT that drive IT performance?
- How do you believe IT's performance should be measured, and how is this different to how its currently measured?

Two further questions that were implicitly asked that relate to the research objective were also explored through the interviews in the following manner:

Table 6: Implicit Questions Explored During Interviews Mapped to Data Collected

Key Questions	How the data collected helps to answer it
Which alignment perspective (in Henderson and Venkatraman's (1993) terms) are their views consistent with?	▪ How do the business executives describe or make reference to the role of IT in the organisation? ▪ Do they describe what the business priorities mean for IT at the internal or external perspective? ▪ What examples do they use when they make reference to a misalignment between business and IT? ▪ Do they refer to any areas in the business priorities that have been influenced or shaped by IT?
What are their expectations of IT? Where and how do they believe it adds value?	▪ Which implicit measures do they use as an indicator of a successful IT function?

4.4.2.4 Interview Process

After the initial list of interview candidates had been identified, one-hour meetings were set up with each candidate. Preparatory material was distributed prior to the meetings. This consisted of a consolidated view of the business priorities and what it meant for IT (of the portion of the business that the relevant executive was accountable for), as well as a list of general pain-points with IT that had been surfaced through the business planning process in the previous year. As shown in table 3, these two components were the 'anchors' for the discussions that followed.

The interview notes were transcribed immediately after each meeting. The notes were subsequently reviewed with the interviewees and, where necessary, follow-up interviews were conducted in the same manner as described in section 4.4.2, and the notes updated accordingly.

Welman and Kruger (2001) suggest that all data collected be subject to stringent criticism, both internal (accuracy or credibility of the contents or bias) and external (refers to the genuineness or authenticity of a source). They also state that credibility will be enhanced if the evidence can be corroborated by different, independent eyewitnesses and other sources. In this case, external criticism was not an issue as the interview candidates were hand-picked for specific reasons. Internal criticism was applied from the perspective of validating each interview with all the other interviews by comparing and surfacing contradictions (though taking into consideration the fact that each executive may experience IT in the organisation differently) and conducting follow-up interviews to clarify where necessary.

In line with the adopted interpretive stance, this research made use of the so-called *emergent design* in that data-collecting processes and procedures were adapted during the study in order to take advantage of data which the researcher only became of aware of during the actual study (Welman & Kruger, 2001). For example, certain documents that contributed to the data were only sought if they were raised during interviews, or certain interviews were only conducted based on discussions in earlier interviews.

4.5 Data Preparation & Analysis

In order to determine the organisation's perspective on alignment, this research analysed the organisation and its behaviour in terms of the characteristics developed by Henderson and Venkatraman (1993) that differentiate traditional linkage from strategic alignment. These are reproduced in table 7, along with a short description of what these views are:

Table 7: Characteristics of Organisations that focus on *Traditional Linkage* vs. *Strategic Alignment*

Characteristics	Traditional Linkage	Strategic Alignment
Predominant focus of information systems and technology	Internal I/S function and organisation	Internal I/S function and organisation and external IT marketplace
Management objectives	Ensuring that I/S activities are linked to business requirements	Selecting appropriate alignment perspectives for achieving business objectives
I/S executive roles	Line leadership and I/S functional support	Multiple executive roles for line and I/S managers
Dominant criteria for performance assessment	Cost and service considerations	Multiple criteria

More specifically, the following aspects were analysed:

- How the organisation formulates its strategy and plans;
- What the business executives and key decision makers believe about IT and where it must contribute;
- The different types of roles in business and IT that drive IT performance;
- The impact of organisational structures and the operating model;
- How the IT function measures itself – and how the business executives measure IT;
- The mood or sentiment of the organisation at this point in time –within the business and IT, as well as holistically.

It is important to note here that it was not the objective to derive an individual metric for each characteristic, but rather to collect data that enabled the researcher to construct as rich a picture as possible of the situation which exists.

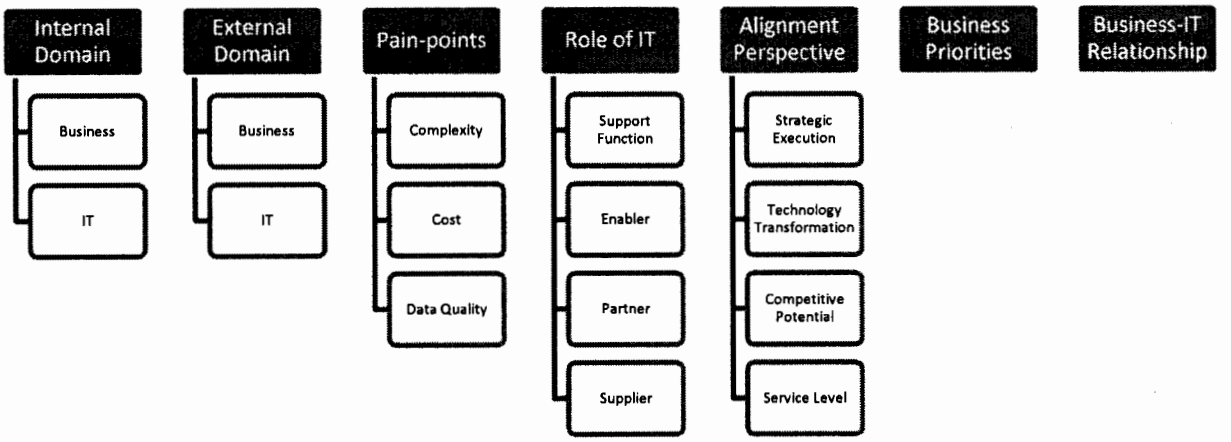
Once it was determined whether the organisation's perspective was more traditionally or strategically oriented and why, this research then went on to look at what this meant in terms of the four dominant alignment perspectives described by Henderson and Venkatraman (1993). This view then provided the basis for comparing and contrasting the organisation's strategic alignment orientation to what it expects IT to deliver – leading to the heart of the problem in question. It is at this point that the analysis shifted from deriving insights from the data to contextualising these insights and drawing conclusions from them.

After being reviewed and validated, all notes taken during the interviews, along with all documents obtained during the data gathering process were transcribed and captured into the qualitative data analysis software tool, WeftQDA (a free, open-source tool that is currently released under a public domain licence). This qualitative analysis software application includes a number of fairly standard CAQDAS features. It is specifically intended to provide a generic 'code and retrieve' package for the analysis of textual data (it was originally written for the analysis of interview and field data from an MSc research project on credit unions in South London (Online QDA, 2008)).

As one of the objectives of this research is to use the SAM to explore a perceived alignment problem between business and IT, *a priori* hierarchical codes were developed using the model (particularly the internal and external domain), as well as the *dominant alignment perspectives*. As relevant themes emerged from the data, more codes were added to capture and analyse them, for example, the role of IT, the pain-points that the business experience and the general business-IT relationship. The latter were also developed both as *a priori* and *grounded* i.e. new themes were not excluded as they surfaced during the analysis, but added and the entire dataset reviewed with the new codes in mind. During this process, codes were further categorised which in some cases, resulted in new codes being created. Strauss and Corbin (1990) refer to this as *dimensionalising*.

The final coding frame is represented as figure 7:

Figure 7: Coding Frame Used



Each code can is briefly described in table 8:

Table 8: Descriptions of Codes Used in Data Analysis

Code	Description
Internal domain	The internal and external domain codes are a reflection of aspects that relate to Henderson and Venkatraman's (1993) SAM and were further broken down into business and IT sub-codes, where the data related to the concepts of administrative infrastructure, architecture, processes and skills.
External domain	
Pain-points	Pain-points are essentially themes that communicate the nature of the *pain* that business leaders feel with regard to IT. For example, statements that refer to IT being too expensive were coded as *cost* pain-points.
Role of IT	The intention of this code was to capture aspects that related to the role of IT, but specifically mapped to the nature of the roles associated with Henderson and Venkatraman's (1993) *dominant alignment perspectives*.
Alignment perspective	This code captures aspects that relate to the four dominant alignment perspectives described by Henderson and Venkatraman (1993).

Business priorities	Business priorities reflect the demand side of IT, whereby it captures higher-order business requirements that need to or have not been met by IT. It is essentially the business actions that IT as a function must support and enable.
Business-IT relationship	This code captures aspects that related to the 'harmony' of the relationship between business and IT. The focus was specifically on the 'softer' issues as opposed to harder indicators that are captured in other codes.

The approach of 'constant comparison' was also used to ensure consistent coding across all data, as well as to allow new themes and patterns to surface.

On examination of the coding frame, the absence of sub-codes for *Business Priorities* does not imply that there was no data linked to this theme – but rather, this code adequately captured all instances that referred to the theme – hence there was no need for any sub-categorisation (in contrast to, for example, *Alignment Perspective*, whereby there are multiple perspectives that each require individual focus and understanding as due to the fact that the things that distinguish them are of noted importance in this research).

In addition, the representation of hierarchical codes in no way implies that there are *dividing lines* between themes, or that they are in ignorance of each other. Separate codes for each are necessary so that depending on the perspective that the data is being looked at – or what is being looked for – either view may be selected for analysis. This means that the same data can (and as part of this research, did) have multiple codes attached to it.

It is important to note that the purpose of the coding frame is to provide a lens (by way of the codes created using the predefined themes from the SAM) and mechanism (by way of attaching these codes to relevant aspects of the data, as well as creating new codes as themes emerge from the data) through which to analyse the data. Therefore, there are no *results* from the coding frame as such – instead, the results are based on this analysis, in conjunction to the questions in the problem statement, and are essentially the "findings."

5. Research Findings

Despite the view that IT has become lethargic and is not aligned to the business strategy (FinServ Interviews A-V; FinServ Challenges Opportunities and Target Setting 2008, 2007; FinServ IT ExCo and ISSC minutes, 2007; FinServ Business Model Review, 2007; FinServ Risk Log, 2007, 2008; CIO Business Plan, 20 08-2010; FinServ Service, Technology & Administration Business Plan, 2007; FinServ IT Strategy, 2008), this research finds that while there is an alignment problem, the organisation is going through a transition where it is shifting from a traditional perspective on alignment (strategy execution in terms of Henderson and Venkatraman's (1993) dominant alignment perspective) towards a more strategic view. As a consequence of this transition, there is a visible disconnect between the rapidly changing expectations of IT and the underlying mechanisms and structures that are required for IT to be able to deliver.

In presenting this central theme, this section is broken down into four sub-sections:

- 5.1 provides an overview of the key findings that surround and support the central theme, as well as the those that relate to the SAM;
- 5.2 and 5.3 then deconstruct and discuss these findings in two logical parts: (1) The first part focuses on the current state of the organisation and its predominant internal focus that is beginning to change; and (2) The second part builds on this notion of change and focuses on where it may take the organisation;
- Section 5.4 then aims to shed light on the rationale behind this change and its potential implications.

These are presented below.

5.1 Summary of key findings

The key findings from this research were as follows:

- Historically, FinServ has had a dominant internal focus when it comes to IT, but is in transition towards a more balanced perspective;
- This transition is being hampered by the inability of structures and processes to keep pace with the rapidly changing expectations of business executives;
- The internal pains with IT (related to cost, quality and complexity) currently experienced by the business are real, and while there is acknowledgement that IT has a more strategic

role to play, these internal pains need to be resolved first – primarily to relieve business pressure but also for IT to re-establish its credibility with the business;

- In terms of Henderson and Venkatraman's (1993) dominant alignment perspectives and in line with the first finding, FinServ clearly operates from the strategy execution perspective;
- While FinServ is starting to recognise and operate from the other three perspectives (in addition to strategy execution) as it makes this transition, there is potential for conflict to occur – primarily because the roles that both IT and business are likely to assume may not be complementary, and secondarily, they may differ in terms of the criteria they use to assess performance;
- While the driver of this change has primarily been a general dissatisfaction with the state of IT (resulting in the noise about the lack of alignment between business and IT), the introduction of new IT leadership has served as a catalyst for provoking the changes that are visible.

In terms of Henderson and Venkatraman's (1993) SAM, this research finds support for the validity of both strategic fit and functional integration as important elements of strategic alignment by demonstrating that:

- In describing (a) the success factors that for them, contribute to strategic alignment, and (b) the deficiencies that take away from strategic alignment, business executives highlight aspects in both the internal and external domain;
- Business executives believe that IT has a role to play not only at the operational level but at the strategic level as well i.e. in addition to operational integration, strategic integration is required.

Furthermore, in recognising that the SAM argues that successful strategic alignment depends on the harmony of business and IT strategies, infrastructure and processes (Luftman et al, 1993), this research builds on Henderson and Venkatraman's (1993) work by demonstrating that certain less tangible aspects of alignment not reflected in their SAM – for example, business executives' thoughts, perceptions and expectations – may change much faster than the tangible aspects like competencies, governances, processes and infrastructures – and as a consequence, may leave IT in a position where it does not have the necessary support or mechanisms to deliver to the expectations placed on them.

In addition, while referring to the dominant alignment perspectives, Henderson and Venkatraman (1993, p.482) recommend that:

> "the executive must consider these perspectives as alternative conceptual lenses and be prepared to continuously make adaptations."

This research cautions that in doing so, organisations must be aware that while the lenses are "conceptual," the process of adapting from one to another may have implications for the *very real* mechanisms that give life to them.

These findings are deconstructed and discussed in sections 5.2 – 5.4 below.

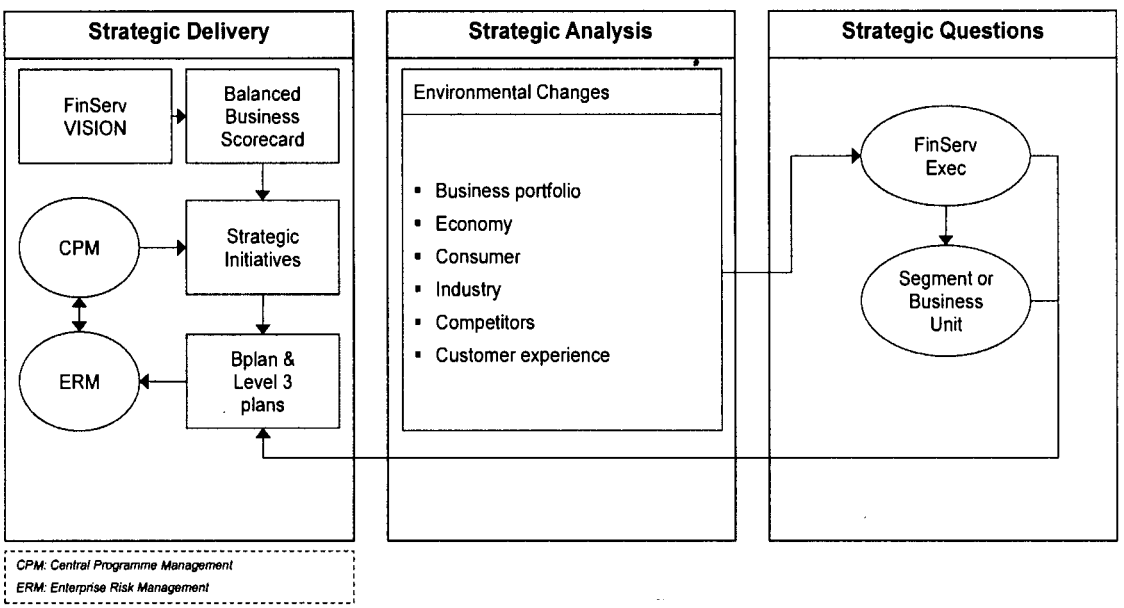
5.2 A predominantly internally-focused organisation in transition

As described in the methodology, this research used Henderson and Venkatraman's (1993) four characteristics as broad elements to frame the discussion:

5.2.1 Predominant focus of information systems and technology

Every year the organisation goes through a defined and rigorous planning cycle for the next three years. The process starts in May and continues all the way into November, following a highly structured approach with rigid deliverables and fixed timelines (FinServ Business Planning Process, 2007).

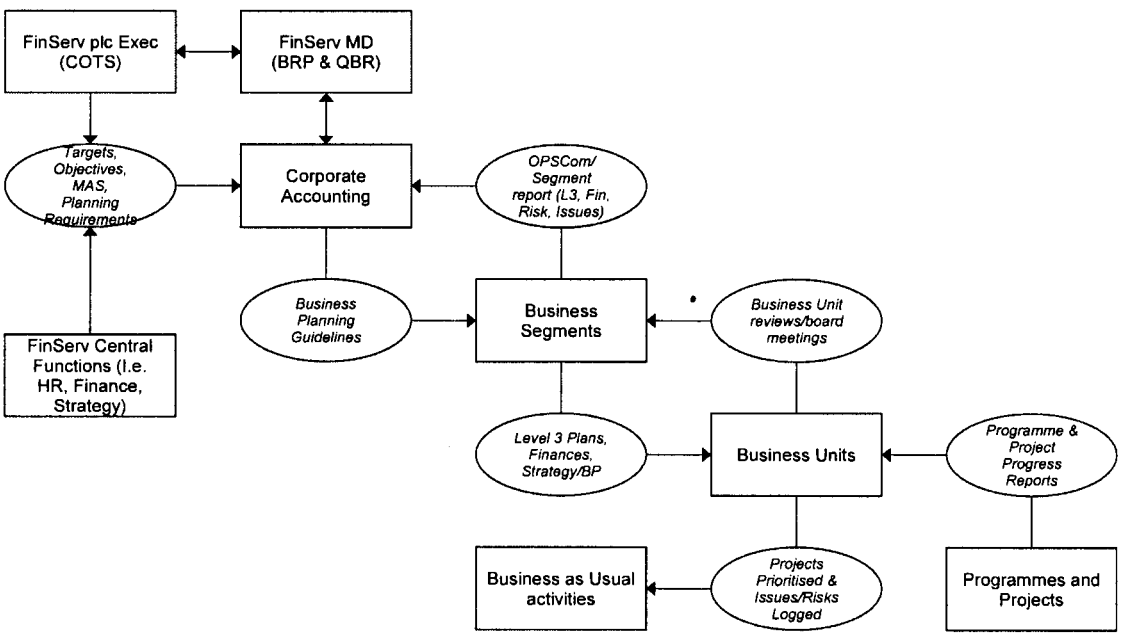
Figure 8: Flow of Activities across FinServ's Strategic Engines (reproduced from FinServ Business Planning Process, 2007)



As depicted in figures 8 and 9, it includes everything from analysing the environment and setting the vision and strategic direction (or reflecting on and updating it given that it is a rolling cycle) to defining key actions, supporting initiatives and targets, and ends with agreeing budgets and constructing individual performance contracts (FinServ Business Planning Process, 2007).

Given the nature of the organisation and the market in which it operates, there are multiple businesses each defined in terms of the market it serves (see figures 13 and 14 in the appendix). Each of these businesses or *segments* as they are described internally within the organisation are expected to deliver a business strategy, supported by detailed plans and initiatives and underpinned by budgets. There are various checkpoints within the process where these are reviewed, critiqued and negotiated until they are eventually signed-off. These are then consolidated to form the organisational strategy and business plan. An overview of this process is presented in figure 9.

Figure 9: FinServ's Macro Business Planning Process (reproduced from FinServ Business Planning Process, 2007)



The process, as defined, structured and mechanistic as it may be, does not make any reference to strategic IT planning. Instead, IT is seen as one of the elements that each segment needs to incorporate into their overall plans (the majority of IT resources fall under the service, technology and administration segment, but there are some parts that exist in other segments). It is therefore only after the business has completed its planning and is clearer about its needs that IT is engaged. This implies that IT planning is essentially an internal response to internal business requirements i.e. it does not consider the external IT environment. It can, however, be seen that there is an implicit expectation in the minds of the executives that IT as a whole demonstrate innovation and thought leadership (which are related to the external domain) and reflect these in their plans. For example:

> "IT also needs to play a role in injecting strategic thinking into FinServ – in the same way as other functions like marketing or economics – it should also provide input on competitors" (Interview C).

And:

> "A critical success factor of the IT strategy includes our thinking on the two or three technologies that we should invest in today that will pay off in the future" (Interview C).

It is when one considers this apparent contradiction and attempts to rationalise why a key process like strategic planning is incongruent with what is in the minds of senior individuals in the organisation, that one starts to explore the possibility that perhaps the entrenched nature of the process is lagging behind the rapidly shifting minds of those that run the business.

Another disconnect within the strategic planning domain that supports this idea is the fact that the Chief Information Officer (CIO) who is regarded as the organisation's IT leadership does not participate in the discussions held within the 'inner sanctum' of the executive boardroom where the direction of the organisation as a whole is decided. However, in the last planning cycle, the CIO has created a business plan as part of the segment within which its function falls – that incorporates at a high-level the key elements of IT across the organisation and begins to start the strategic discussion – which is presented and tabled with the MD and his executive team (CIO Business Plan, 2008-2010). Though this is still predominantly internally focused, it begins to gravitate towards the external domain. This is potentially because, as in the previous example, the linear planning process is lagging the reality of the executives' expectations (which have been made clear to the CIO). Thus, some elements of an

organisation that is beginning to realise that it needs IT to be more externally focused are becoming visible.

With regard to the interviews, almost every executive highlighted the improvement of the internal I/S function and organisation as a key focus area and critical success factor of the IT strategy. Specific areas of concern that were mentioned are listed in the table below, along with a few directly quoted examples that typify these concerns:

Table 9: Specific Areas of Concern Highlighted During Interviews

Area of Concern	**Typical comment made during interviews**
The complexity of the IT estate (Interviews A, K, L, O, V)	"Our IT systems are complex from 4 perspectives: (1) there are too many product administration systems, (2) the IT estate is fragmented, (3) we don't know what the quality of our data is, (4) they are too difficult to maintain" (Interview A)
IT costs being too high and unpredictable (Interviews A, F, I, K, L, M, N, P, Q, R, S)	"Cost is the biggest question – what does TCO look like, how do we benchmark and reasonably project it (create some predictability)?" (Interview O)
Lots of duplication (Interviews A, E, I, K, Q)	"We have too many systems that lead to duplication which leads to unnecessary cost" (Interview E)
Taking too long to deliver IT solutions that in many instances are not reliable (Interviews D, E, F, K, O)	"IT take too long to deliver new products or to deal with legislation requirements (e.g. servicing, reporting, etc.)" (Interview K)
A lack of a clear governance model (Interviews I, K, M, P, V)	"There is no clear IT governance model - we find it difficult to engage with IT because there are uncoordinated pockets of delivery across FinServ" (Interview K).
Issues around people skills and	"Architecture skills have become thin – we are

capabilities (Interviews B, D, E, F, K, L, M, O, P)	losing the wrong kind of architects" (Interview M).
Poor data quality and overall lack of information management (Interviews A, F, I, K, O, L, M)	"We do not have a single source of the truth when it comes to information – be it customer, financial, employee or any other kind of data" (Interview M).
Having to do lots of manual work as a result of a lack of automation (Interviews D, F, K, L, O, Q)	"Despite the intention to have a single system for financials, there still appear to be inefficiencies/rework e.g. the speed of reporting & instances of manual accounting" (Interview L).

One executive even pointed out that,

> "IT does not give competitive advantage – it is only a business enabler" (Interview A).

On reflecting on the extent and level of detail with which the internal issues have been described, one may be quick to conclude that the predominant focus of information systems and technology in this organisation is on the internal component.

However, the sudden shift in focus when the topic of business priorities and future business drivers are raised indicates that this focus may not be one-sided at all. Here, the role of IT is described very differently and very simply:

> "IT must enable us to understand our clients' needs better than our competitors – and deliver to these needs better than our competitors" (Interview C).

Backed by a very clear and well articulated business strategy, the expectation from the executives is that IT certainly has a role to play in the external marketplace. For example, one executive described two areas in which IT needs to play a vital role (Interview L):

- Customer analytics – "understanding our clients' needs;" and,
- "Customer interaction" – both in terms of product distribution and servicing.

Furthermore, questions about why IT is not taking advantage of web and mobile technologies for selling and distributing products or allowing their customers to do self-service were frequent (Interview C, K, L, O). One executive even indicated that

she was concerned about a lack of research and development (R&D) funding that IT has available to explore, learn and determine how best to exploit new technologies:

> "IT's biggest challenge is to do the 5-10 year thinking. [She was] concerned about our lack of R&D spend, and that we will go fix a whole lot of things now that don't deserve to be in our estate in the future [and is looking for guidance on] which things we just need to cope with for now, rather than fix, [as well as knowing] how we use IT to get ahead of our competitors, rather than just catch up" (Interview F).

These questions, along with the above two areas of impact are clearly elements of the external domain. While one executive went as far as to say that, "the IT strategy must also describe the advantages we will create that cannot be competed away" (Interview C), it is clear that the notion that IT could in fact shape the business strategy (as per Henderson and Venkatraman's (1993) competitive potential perspective) is still not widely accepted. There is, however, widespread acknowledgement that IT's potential contribution to enabling the business strategy is significant. It appears that this trend will continue, and IT's contribution in the external domain will be seen as increasingly important.

Looking more holistically at what the data tells us – specifically the planning process and the interviews– there appears to be a disconnect between how the executives describe the role of IT in the external domain and the priority that is given to externally-focused activities in the planning process that give life to this role e.g. market and competitor analysis, local and international trends, etc. This disconnect lends further support to the notion that the planning process is lagging the reality of the executives' expectations only because expectations can be changed relatively quickly – whereas a planning process intended to deliver to these expectations may not.

5.2.2 Management objectives

Henderson and Venkatraman (1993) argue that organisations with traditional perspectives on the concept of alignment believe that I/S activities must be linked to business requirements in order to be aligned.

The analysis indicates that there are sufficient examples which demonstrate that this organisation falls heavily into the *Traditional Linkage* category. This linking between

IT activities and business objectives can be seen in two broad areas: the planning process and the performance management process.

Firstly, the planning process as described earlier drives a very mechanistic view of alignment to business objectives. This is evident in the concept of a *Management Action Statement* (MAS), which is made at all executive levels and is essentially a clear description of how they will execute in order to achieve their stated objectives (FinServ Business Planning Process, 2007). Each MAS is supported by a number of sub-actions, initiatives, programmes, etc. that may or may not contain IT – depending on the statement. A clear example of the linkage referred to by Henderson and Venkatraman (1993) (which reinforces the traditional view of alignment) is depicted in figure 10:

Figure 10: Example of Cascading Management Action Statements (MAS) (reproduced from FinServ Business Plan Summary, 2007)

Management Action	Key Milestones	Measured by	Key Risks
Objective: Revitalise the Organisation			
■ **Marketing and brand building to support product etc.**	■ Additional marketing in support of product launches	Brand loyalty and relations score x%	■ Making FinServ relevant to new growth markets
■ **Improve branch reach**	■ Transform primary role of client service centres from service to sales ■ By 2012 have 45 main street branches and 56 shopping centre branches (shift from main street)	Refurbish 10 branches in 2008	■ Product offering and distribution channels meet market demands
■ **Improved staff communication rate**	■ Climate Survey results	> 30% in climate survey	
■ **Workplace transformation**	■ Attrition influenced through gracious exit programme ■ Staff plan to address DTI Codes - replace attrition with Black Talent ■ Set development targets for Top Black Talent at a segment level	FinServ employment equity score	■ As associated with BEE compliance
■ **Instil a culture of innovation in the organisation**	■ Development of long-term innovation programme	Plan in place	■ Internal mindset ■ Momentum

Secondly, the performance management process within the organisation is intertwined with the planning process. While this is widely acknowledged as a good thing, it also means that it drives at ensuring the same type of alignment as the planning process.

According to the FinServ Business Planning Process (2007), what essentially happens is that the management actions as determined by the process (summarised in figure 9) form the basis on which individual performance scorecards are created. Management actions are determined at an executive level and are cascaded down in the sense that each executive will allocate one or more actions to each person in their management team. That particular manager will then define his or her scorecard by determining what sub-actions are required to deliver on the overall executive management statement. This process is then repeated for each level below until every individual in the organisation has a performance contract that is aligned to their manager. There are also some actions that are allocated on a team-level, as well as certain key result areas (KRA's) like budget and employment equity targets.

The aim of this process and type of performance management is to create a high-level alignment between the daily actions of all individuals in the organisation and the strategic objectives of the organisation – which are executed through the stated executive management actions. While there are obvious drawbacks to such a mechanistic way of measuring an individual's performance, it is largely successful in terms of ensuring that everyone is pulling in the right direction.

What this means for IT is that generally speaking, each and every initiative can be linked to any and every management action (except in the case of certain development requirements aimed at delivering specific pieces of functionality where there is a one-to-many relationship).

It also means that depending where IT sits in the organisation structure, it may have to align to particular actions that may not be at the same level as other aspects of IT in other parts of the organisation. It also means that there is room for contradiction between IT actions that are formulated to respond to different management actions. In any event, this linkage of actions to specific business requirements clearly demonstrates that FinServ is typical of Henderson and Venkatraman's (1993) *Traditional Linkage* organisation.

5.2.3 I/S executive roles

When it comes to roles, Henderson and Venkatraman (1993, p. 481) indicate that the key difference between organisations that fit into the traditional category and organisations that achieve true strategic alignment is that the former places emphasis on "Line leadership and I/S functional support" whereas the latter is more oriented towards having both line management and I/S management playing "multiple" roles.

As context for understanding the nature of the roles that both business and IT play, it is important to understand the organisational construct and supporting structures, and how this has evolved over the last few years.

Before it embarked on its transformational strategy, the organisation had a structure that was defined by the nature of its business, which, broadly speaking, was the predominantly the corporate and retail businesses, and to a lesser extent, the African and asset management businesses. Alongside these was a shared services function that supported each of them to a different extent (refer to figure 13 in the appendix).

Within this structure, IT was seen as a hybrid-federated organisation with certain central elements sitting in the shared services function, and the rest being dispersed throughout the various business units.

In terms of an operating model, it could be described as a federal model with outsourced infrastructure centralised (FinServ IT Strategy, 2006). The aim of this was to leverage economies of scale where there was opportunity to do so, but otherwise keep IT within the businesses they serve. While this may appear as though it is aimed at ensuring alignment at a business unit level, deeper analysis reveals that there have since been a number of structural changes, some of which have been uncoordinated (e.g. splitting up certain functions only to bring them back together again a year later) (CIO Business Plan, 2007).

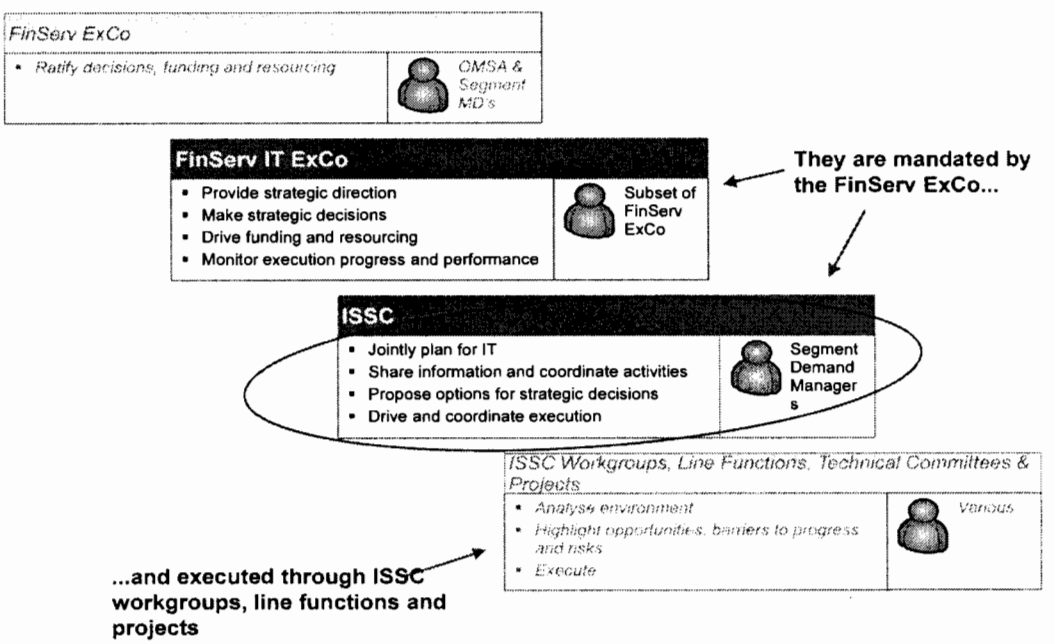
More recently, in order to better serve its customers the organisation adopted a model (and structure) that was defined by market segments (see figure 13). So while the corporate business largely stayed the same, the retail business was split into three

pieces – those that served the higher, middle, and lower end of the markets, the lines between the three being determined by market income levels. In addition, more back-end servicing and administration was moved into the shared services function.

In terms of the IT function and in line with the rest of the changes, more of IT has been centralised into the shared services function – and this is expected to continue (FinServ IT Strategy, 2008). In terms of an operating model, the organisation sees the business-IT relationship as more of a demand-supply one, with IT adopting a more commercial posture (FinServ IT Strategy, 2008). While the structure and role of IT is still in transition, it is starting to display some characteristics that portray its role as more than just a supporting one. For example, the past year has seen the introduction of a few roles that create focus on the strategic use of IT, that introduce more business participation in the IT function and strategic decision-making, and highlight the growing emphasis being placed on an organisation-wide IT strategy that enables (and can potentially lead) the business.

The first of these has been the introduction of an IT governance model that, for the first time, includes executive and business participation (see figure 11):

Figure 11: FinServ's IT Governance Model (reproduced from the ISSC kickoff meeting presentation, February 2008)



According to the ISSC kickoff meeting presentation (2008), a committee called the *FinServ IT ExCo* has been created at the most senior level in the organisation (it is essentially a subset of the organisation's executive team) that will focus specifically on the strategic use of IT in the organisation. Below this, another more operational committee called the *ISSC* (Information Systems Steering Committee) which existed before but was traditionally represented by IT managers from across the organisation has now been revised to include business unit management (who play the role of demand for IT services) and the CIO team (who play the role of supplying IT services). This ensures that IT is no longer delegated and expected to play a supporting role where required but that it is an integral part of the business and requires both business management and IT management to play multiple leadership roles.

The second major change has been the creation of a function within the CIO team to focus exclusively on IT strategy. Where previously the IT strategy was seen as inherent within the CIO's day-to-day role, there seems to be recognition that it is a full time job on its own – and one that requires a full time team that can continuously engage with the business at a strategic level (FinServ CIO E-mail Archive, 2007, 2007; FinServ CIO Area Organisational Structure, 2007).

The above two examples, when contrasted against the historical view of the organisation and IT's role within it highlight a clear shift in the perceptions about the role of IT. Reflecting on Henderson and Venkatraman's (1993) view that one of the characteristics of true alignment is where both IT and business move beyond the traditional roles of leadership and support towards multiple and cross-domain roles – this is exactly the shift that is occurring within the organisation where it can be seen that both the business and IT are straying beyond the traditional boundaries of their expected role and starting to engage on a strategic level.

Within the IT function itself, there is also evidence of a shift from its traditional support role towards the more strategic. This evidence can be seen in the work that is currently underway to review the IT strategy (which has been made explicit in the MD's performance contract) as well as the number of strategic business projects that

IT is not only participating in, but driving forward strongly (FinServ Service, Technology & Administration Business Plan, 2007). Operationally, there is further evidence of change in the move from recovering costs to charging for services i.e. behaving more commercially (FinServ IT Strategy, 2008).

To further demonstrate its intentions through roles, the IT function now has a dedicated IT strategy role that forms part of the CIO executive team (a role which has never existed before). Its aim is to build this role into a small function in the short-to medium term (CIO Business Plan, 2007).

5.2.4 Dominant criteria for performance assessment

In describing how performance is assessed in organisations that are more attuned to their description of strategic alignment, Henderson and Venkatraman (1993) emphasise the need to view organisational performance from multiple perspectives (as opposed to the purely operational perspectives of cost and service considerations).

On analysis of FinServ, it is clear that cost is and always has been a key performance measure for the organisation (CIO Business Plan, 2007; FinServ Business Plan, 2007). This is evident in the description of pain-points that the business experience with IT, where all interviewees highlighted IT costs as a key concern – particularly the perception that IT costs are too high (Interviews A, F, I, K, L, M, N, P, Q, R, S). One could argue, however, that an important driver of this requirement is that the current environment the organisation operates within demands a low-cost environment, making it a strategic objective. Indeed, a key focus area for the shared services function is to reduce service unit-costs as a whole (a key business measure) of which IT constitutes a significant percentage (FinServ Service, Technology & Administration Business Plan, 2007).

The issue of service considerations as a key performance measure has also been raised in almost all interviews. Specific concerns raised were related to poor project delivery and quality in the applications development area (Interviews D, E, F, K, O), as well as the availability of the production environment (there has been a number of outages that have resulted in a significant amount of downtime for the business)

(FinServ IT Performance Diagnostic Findings, 2008). As with cost, these service considerations are almost a non-negotiable element of performance assessment (largely because they are regarded as 'hygiene' factors i.e. the absolute bare minimum that is expected, but not seen as anything special once they are being consistently delivered).

While the two elements of cost and service have surfaced as dominant criteria for performance assessment, one has to make the distinction between explicit and implicit criteria in order to understand more holistically how IT performance is assessed. While these two elements are clearly explicit measures, deeper analysis of the interviews reveals that the executives have additional, implicit measures that, due to the absence of formal and objective measurement, manifest themselves in the expectations of IT. For example, while it may not be measured on any scorecard or performance contract as such, there is a clear expectation that IT needs to enable new distribution models to enable sales growth (Interviews C, K, L, N), improve the information management capability in order to be able to understand and target markets better (Interviews A, C, E, K, L, M, N, O), develop a more innovative web strategy to target the youth market (Interviews K, L), etc.

An important question then, is whether an assessment of FinServ's strategic footing be based on its explicit measures only, or should the implicit ones described in the interviews be included as well? In thinking about how to answer the question, one is instantly reminded of a key theme that has emerged from this research – a theme that has been described in the previous three sections (5.1.1-5.1.3) – that the more tangible, more explicit mechanisms that are required to give life to the decisions that are made (for example key planning processes or in this case, performance measurement) do not reflect the thinking and expectations of what is in the minds of the key business leaders in the organisation – the very same leaders who form and perpetuate perceptions of IT and its performance – and whether or not IT is aligned to the business.

On further reflection, particularly on the aspect of IT and business roles, and how some of the behaviours that strategically aligned organisations demonstrate (as

described by Henderson and Venkatraman (1993)) are beginning to appear in FinServ (e.g. through the new governance model, the addition of an IT strategy function, etc.), and one can't help but ask *why?*

Looking back at the other mechanisms – the planning process, the performance assessment process, the performance management process – in contrast to that of roles – what gradually emerges, particularly through their inherent nature, the level to which they have been engrained in the organisation and the number of people involved in mobilising them – is that the former take much longer to change, and are much more difficult to change, whereas the latter (i.e. individual or group roles) change somewhat faster – and are therefore more reflective of the prevailing intent at any point in time.

For example, a massive change to the role of the senior IT executive team can occur relatively quickly through a series of discussions with business executives and some subsequent action. A planning process on the other hand, spans many months, involves almost half of the entire staff complement and has somewhat fixed deliverables and timelines can hardly be changed in the short-term.

In summary, this research finds that the organisation has a dominant internal focus when it comes to IT, but that the shift from the *Traditional Linkage* view of alignment towards something more strategic has not yet permeated all of the formal structures and processes in the organisation. It is, however, relatively clear in the minds of the business executives and will start to reflect in the rest of the organisation over time.

5.3 Becoming More Strategic: A New Perspective

Building on the notion that there appears to be a gradual shift from the traditional perspective on alignment towards a more strategically oriented one, it is clear that this traditional perspective is typical of *strategy execution* in Henderson and Venkatraman's (1993) terms i.e. the hierarchical view whereby the business strategy is the driver in that there is a strategy formulation process, and a subsequent implementation process – throughout which IT is seen as a support function.

The direction of the gradual shift, however, is not as clear. Thus far, this research has broadly described it as "more strategically oriented," but is it closer to a *supplier*, *enabler* or possibly even a *partner* perspective?

While not intended to be strict criteria, Henderson and Venkatraman (1993) have provided a set of key characteristics that distinguish each of the four perspectives. This research has further analysed and hypothesised which alignment perspective FinServ is gradually moving towards and overlaid the two in table 10:

Table 10: Mapping of Hypothesised Organisational Profile to the Dominant Alignment Perspectives

Dominant Perspective	**Driver**	**Role of Top Management**	**Role of IS Management**	**Performance Criteria**
1. Strategy Execution	Business Strategy ★	Strategy Formulator ★	Strategy Implementer	Cost/Service Centre ★
2. Technology Transformation		Technology Visionary	Technology Architect	Technology Leadership
3. Competitive Potential	IT Strategy	Business Visionary	Catalyst ★	Business Leadership ★
4. Service Level		Prioritiser ★	Executive Leadership ★	Customer Satisfaction

As Henderson and Venkatraman (1993) point out, this model focuses on the *dominant* alignment perspective. It therefore recognises that organisations may adopt multiple perspectives also display multiple characteristics. This is briefly discussed in 5.2.1 – 5.2.4 below:

5.3.1 Driver

Business strategy in FinServ currently is, and most likely will be the driving force behind choices and their design implications in the short- to mid-term future. This research believes that this view is strongly supported in the interviews whereby business executives indicate that there is almost a *hierarchy of contribution* type

model (in relation to Maslow's (1943) hierarchy of needs[1]) in that while IT does inherently have a strategy-shaping role to play, the prevailing situation in the organisation (described in terms of pain-points) is one that requires significant and immediate attention. As one executive put it:

> "IT needs to focus on addressing the pain points first largely because they need to be able to deliver what's required now and earn the credibility to formulate and execute on a longer-term strategy in the future" (Interview C).

This point on IT's credibility, and the need to address the more fundamental or operational needs was echoed in other interviews as well. For example, in Interview O:

> "IT's credibility and engagement is problematic – and will only start to change once IT starts delivering;"

Interview Q:

> "IT need to win back credibility and this can only be done on the back of delivery;"

And interview R:

> "much of what IT need to accomplish first should be around regaining credibility and trust through consistent delivery."

Coupled with the current sentiment about IT's level of alignment with the business, an almost cynical view exists whereby IT is being asked to "get its house in order" first and demonstrate its ability to deliver – and in doing so, almost earn the right to participate in shaping the business strategy. In other words, it is an evolutionary step – one that is too far a leap at this point in time. This message appears to have been heeded by the CIO, who states in positioning the IT strategy "It's primary focus, by virtue of where we find ourselves, is therefore on fixing the foundations and getting back to basics" (FinServ IT Strategy, 2008).

5.3.2 Role of Top Management

Here the analysis highlighted the tendency of top management to take on different roles at different times, and in different situations. Two of these roles in particular stand out: that of the *strategy formulator*, and that of the *prioritiser*.

[1] Maslow's hierarchy of needs is a theory in psychology, proposed by Abraham Maslow in his 1943 paper, "A Theory of Human Motivation." It is often depicted as a pyramid that consists of five levels in order of importance, with the lowest level deemed the most important. This lowest level is associated with physiological needs, while the uppermost level is associated with psychological needs. The higher needs in this hierarchy only come into focus when the lower needs in the pyramid are met. Once an individual has moved upwards to the next level, needs in the lower level will no longer be prioritized.

The role of the *strategy formulator* was an obvious trait, given that the driver was and is likely to be the business strategy and is a role that the business is comfortable playing, and plays quite strongly. The business as a *prioritiser* is somewhat unusual given the driver. A clue to this outcome potentially lies in the operating model which is currently in the process of evolving towards a more demand-supply type relationship with the business (FinServ IT Strategy, 2008). Henderson and Venkatraman's (1993, p.480) description of a *prioritiser* is "one who articulates how best to allocate the scarce resources both within the organisation and the IT marketplace." This description is somewhat typical of a business in a demand-supply relationship whereby the business strategy unpacked to a particular level of detail outlines the organisation's priorities. It is also consistent with the existing FinServ business planning process (FinServ Business Planning Process, 2007).

Both the *technology visionary* and *business visionary* roles demand that the business play a stronger and more proactive role in IT leadership – a role which it has been reluctant to play in the past (FinServ IT Strategy, 2008) and does not appear to be changing very quickly.

5.3.3 Role of IS Management

While IT currently plays the role of *strategy implementer*, the interviews indicate a growing sense that IT needs to play a much stronger and more leading role (Interview B, C, F, K, L, N). This is best played by the catalyst, particularly where IT "identifies and interprets the trends in the IT environment to assist the business managers to understand the potential opportunities and threats..," (Henderson & Venkatraman, 1993, p.479).

The other role that IT may play more strongly is that of the *executive leadership*. Henderson and Venkatraman (1993) describe this role within the context of the IT leadership team running the function as an internal service business – a model that correlates to the current shift in the organisation's operating model whereby a more demand-supply type relationship is beginning to emerge (FinServ IT Strategy, 2008).

A third potential role that IT may take on is one that Henderson and Venkatraman (1993, p.479) describe as a business role – that of the *business visionary*. In their words, this role describes "one who articulates how the emerging IT competencies and functionality as well as changing governance patterns in the IT marketplace would impact the business strategy," and is one that the business needs to play with IT playing the role of the *catalyst*. What this could be highlighting is the business's tendency to want to delegate as much ownership of IT as possible (FinServ IT Performance Diagnostic Findings, 2008), and could potentially hinder future efforts for more strategic alignment by not stepping up and playing their role.

5.3.4 Performance Criteria

In terms of performance criteria there is clearly a focus on cost as an indicator of performance – and it is unlikely that this will change anytime soon. During the interviews, the business executives expressed quite strongly the need to reduce cost, including business cost through more IT automation, as well as direct IT costs through efficiencies (Interviews A, F, I, K, L, M, N, P, Q, R, S).

An additional criterion that is very likely to be used is that of *business leadership*. This is because the business is very strong in driving the business strategy forward, and when the discussion shifts to IT, particularly performance, it is often described in business terms (FinServ IT Strategy, 2008; Business Plan Summary, 2007). What this highlights is that aside from cost, they would like to see a visible impact of IT's contribution on business success measures like market share, growth, or new product introduction. This indicates that a key element of alignment for them is to have shared measures of success (FinServ IT Strategy, 2008).

To summarise, FinServ's current internal IT focus is beginning to gradually change by recognising that IT has a bigger role to play in the success of the broader organisation. When analysed in terms of Henderson and Venkatraman's (1993) dominant alignment perspective, this research believes that the dominance of the current *strategy execution* perspective is being challenged, and while it is not clear which perspective the organisation might take on, one begins to see characteristics of organisations that operate from all four perspectives. This is positive because as Henderson and Venkatraman (1993) indicate, there is no one correct

perspective, and as organisations that achieve strategic alignment are those that consider all perspectives and select the most appropriate one given the situation. This ensures that they are able to continuously adapt and innovate, and ultimately achieve competitive advantage.

The only concern that needs to be highlighted is the potential for conflict through misunderstood roles. This may occur when either business or IT adopts particular roles (and as indicated in section 5.2.2 and 5.2.3, there are more than one) and there is a natural tendency to assume that the other will adopt the corresponding role. For example, were IT to adopt the *catalyst* role that the business seems to require, it is unlikely that the business will adopt the corresponding role of *business visionary* as indicated in section 5.2.2 and 5.2.3 (the natural default will be that of the *strategy formulator*).

A similar potential for conflict may arise through the use inappropriate performance criteria. However, these mismatches within Henderson and Venkatraman's (1993) model and the potential conflicts they may cause have yet to be tested by the research community, so it is difficult to put forward a view of what the impact is likely to be (and to do so would be highly speculative).

5.4 The rationale behind the shift and its implications

Thus far, this research has discussed the emergence of a 'shift' from a predominant internal focus on IT to one that considers elements in the external domain. However, an important part of understanding this shift is to discuss the driving force behind it.

Perhaps the most visible and central driver is the same as that which has sparked this research – described very broadly as being a sense of discomfort with the current state of IT (FinServ Interviews A-V; FinServ Challenges Opportunities and Target Setting 2008, 2007; FinServ IT ExCo and ISSC minutes, 2007; FinServ Business Model Review, 2007; FinServ Risk Log, 2007, 2008; CIO Business Plan, 2008-2010; FinServ Service, Technology & Administration Business Plan, 2007; FinServ IT Strategy, 2008). Whether this discomfort is communicated through statements about IT's performance or more abstract references like "IT is not aligned to the business," it is clear that the 'status quo' is inadequate and it has gotten to the point where the *noise* is loud enough for action to be taken.

While they may have had a more indirect impact, most likely through the driver discussed above, there are two other forces that deserve mention:

- The growing trends in the external IT environment and the increasing pace and impact of technology on the business world e.g. new development in mobile and web technologies continue to provide a fertile ground for innovation – where organisations that are willing to spend time and effort exploring are having success, there is a sense that FinServ may be lagging behind (Interviews C, F, K, L, O). This perception reinforces and strengthens the view about the current 'status quo'.
- IT constitutes a significant portion of operating expenses and the inability to determine the value of this spend has raised concerns for those business individuals that need to fund it, and where there is this sense of uncertainty around the value of IT spend, the default assumption is that it is too much (Interviews A, F, I, K, L, M, N, P, Q, R, S). Again, this further reinforces the general perception about IT in the organisation.

Along with these drivers, a catalyst for the changes that are emerging are an aging workforce that has resulted in a new leadership team in the IT function who sympathise with the business discomfort and are beginning to ask the right strategic questions. It is because the leadership team is new that the sentiment has moved beyond being defensive to one of taking action i.e. the business executives recognise that the current leadership may not necessarily be to blame, and have said to them "it's not your fault, but it is your problem to solve" (FinServ IT ExCo minutes, 2007).

This catalyst of new leadership is a key factor in making the shift a positive and (very likely) a successful one. What it has resulted in is that the organisation (including both business and IT) has moved beyond *admiring* the problem and are focused on finding the right solutions. This recognition joint collaboration and leadership could very well be laying the foundation for a relationship that shifts the perspective of IT from *passive* to *provider*, and potentially even *partner* (FinServ IT Strategy, 2008). It is with such a foundation that the desirable, but often elusive state of strategic alignment can ultimately be achieved.

6. Conclusions

This research set out to shed light on a perceived business-IT alignment problem and help move the organisation in question to a place where it understands why the problem exists and what can be done about it.

The specific objectives included analysing FinServ's perspective on alignment in light of the SAM proposed by Henderson and Venkatraman (1993) – and comparing and contrasting it to what IT is expected to deliver. What this research has shown is an internally focused organisation (specifically a dominant *strategy execution* perspective) that is uncomfortable with the results it has been getting and is recognising that it needs to broaden its perspective to include more external elements. However, the underlying processes and mechanisms required to give life to this new perspective have not kept pace with this thinking and are causing FinServ a sense of discomfort in that there are certain expectations placed on IT that may not be entirely reasonable.

Stepping away from the detail of the characteristics and looking at the evidence more holistically (and considering the organisational context, the changing leadership and the subtle shift in perspective), one can see an organisation that "is tied down by its past" (FinServ IT Strategy, 2008) – one that has been predominantly internally focused when it comes to IT – but is recognising that this old way of thinking will not be enough to get through the challenges that the fast-changing business environment is beginning to demand, as well as to take advantage of the opportunities presented by new technologies.

There are already signs that a shift in mentality and culture is beginning to take place as well. Over the last year, there has been a dramatic change in leadership, organisational structures and attitude (FinServ IT Strategy, 2008) – resulting in a focused IT organisation that is beginning to recognise that delivering according to business requirements and keeping the environment running smoothly are only the starting point (Interview C, O, Q, R). The real goal – the one that needs to be strived for – the one which requires strategic alignment – is to support and enable the growth of FinServ by leveraging and exploiting technology on a continued basis.

The challenge with progress in any context, however, is that there are always growing pains to be felt, conflict to be had and learnings to be taken. The key driver for this research – the perception amongst business and IT management in the organisation is that "IT is not aligned to the business" (FinServ Interviews A-V; FinServ Challenges Opportunities and Target Setting 2008, 2007; FinServ IT ExCo and ISSC minutes, 2007; FinServ Business Model Review, 2007; FinServ Risk Log, 2007, 2008; CIO Business Plan, 2008-2010; FinServ Service, Technology & Administration Business Plan, 2007; FinServ IT Strategy, 2008) – is but only the start of this challenge, and while the organisation is eager to move beyond the problem and is focusing on the solutions, there is a sense that they cannot completely conceptualise how things would need to work for IT to play the role that it needs to.

7. Recommendations & Suggestions for Further Research

Specific recommendations coming out of this research fall into two categories: (1) Those that are intended to help ease the organisation through the transition, and (2) those that are aimed at improving the model used to inform this research i.e. Henderson and Venkatraman's (1993) SAM.

7.1 Recommendations to FinServ

The first recommendation is to understand that it will take time. The problems experienced today are a result of incremental issues that have built up over a number of years (FinServ IT Strategy, 2008). Undoing it may not take as long, but neither will it occur overnight. As a senior manager in the midst of adopting the SAM quoted by Henderson and Venkatraman (1993, p.482) states, "the most important lesson to keep in mind is that strategic alignment is a journey and not an event." This sentiment is echoed in FinServ's IT strategy (2008), where the CIO notes that the "renaissance of IT is not an event, but a process that will result in change over time."

Secondly, to recognise that this is as much a business problem as it is an IT one. One can see that FinServ has a tendency to want to delegate ownership of IT, and is reluctant to relax its natural inclination to adopt the role of *strategy formulator*, leaving IT on its own to *implement* it. One can also see that the *competitive potential* perspective requires the business to play a *business visionary* role (with regard to IT), a role it clearly expects IT to play. Understanding that it has as much a role to play in this transformation as IT does is vital.

Thirdly, to utilise the (1993) SAM as a tool to stimulate thinking and broaden perspectives on the concept of strategic alignment. Henderson and Venkatraman (1993) indicate (with reference to their model) that selecting the most appropriate perspective is dependent on what the organisational objectives are at a particular point in time – and that the organisation may want to vary its process in order to balance the different perspectives. While it is up to the organisation to determine what it needs at this point in time, an informed opinion is offered: given the current state and success with which IT operates, it is suggested that the organisation take the time to address its operational shortcomings properly before venturing into the external domain. The internal pain-points highlighted are not trivial and to achieve

the necessary buy in from the executives to participate in the external domain, these pain-points must be completely eliminated. Being too ambitious may also divert focus.

Lastly, IT must deliver strongly on these and other commitments – and regain credibility. This is the foundation on which strategic alignment can then be built.

7.2 Recommendations to improve the SAM

The conceptual model used to analyse and understand the alignment problem in FinServ – Henderson and Venkatraman's (1993) SAM deserves its reputation as one of the seminal works on business-IT alignment. In conducting this research, we conclude that the concepts used by Henderson and Venkatraman, the points they argue and recommendations they make are as relevant today as there were in 1993, and that the conclusions by Luftman, Lewis and Oldach (1993), and Avison, Jones, Powell & Wilson (2004) that the strategic alignment has both conceptual and practical value are well founded.

As is the case with all research endeavours of this nature, however, it is important that the findings be translated into recommendations (in addition to those that are made to the organisation) that contribute to and expand on the existing body of knowledge. As a result, there are certain refinements to the SAM that this research would like to suggest. These are discussed next.

A key aspect of the SAM are the elements that executives and managers consider as they must make choices – in both the internal and external domains e.g. IT scope, systemic competencies and IT governance in the external domain; and architectures, processes and skills in the internal domain. Henderson and Venkatraman's view is that organisations must address at least these as part of achieving strategic alignment.

While this research fully supports this view, it finds that certain less tangible aspects of alignment not reflected in their SAM – for example, business executives' thoughts, perceptions and expectations – may change much faster than the tangible aspects like competencies, governances, processes and infrastructures – almost instantaneously – and as a consequence, create a situation whereby business executives have certain expectations that IT are unable to meet, as the necessary support mechanisms required for them to be able to

deliver have not evolved to the point where they are aligned to the new way of thinking. This can be frustrating for both business and IT executives alike, as it may appear that the new ways of thinking are not improving the situation but making it worse.

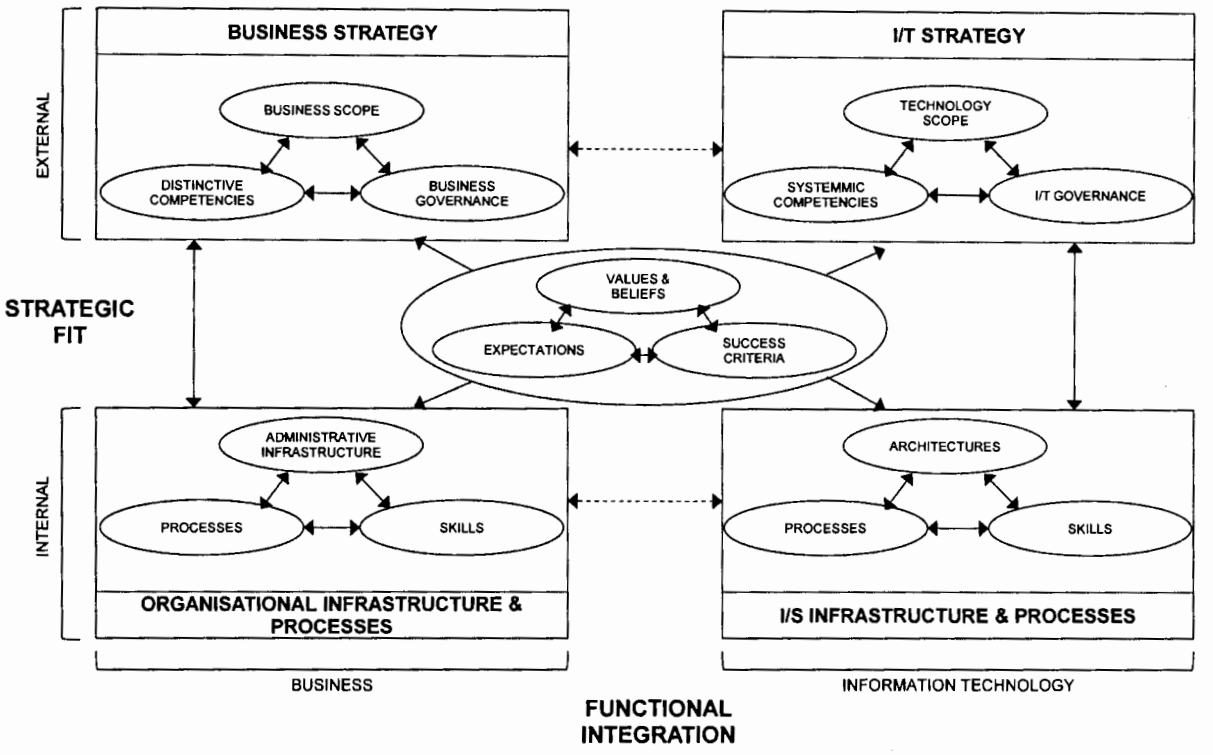
In addition, while referring to the dominant alignment perspectives, Henderson and Venkatraman (1993, p.482) recommend that "the executive must consider these perspectives as alternative conceptual lenses and be prepared to continuously make adaptations." This research cautions that in doing so, organisations must be aware that while the lenses are "conceptual," the process of adapting from one to another may have implications for the *very real* mechanisms that give life to them, as demonstrated by FinServ's (unconscious) adaptation from the *dominant alignment* perspective.

In witnessing the pains caused by this gap between the tangible and intangible, this research proposes that Henderson and Venkatraman's (1993) SAM be adapted to recognise that:

1. There are three further elements that must be considered as part of the strategic alignment equation, namely (a) values and beliefs; (b) expectations; and, (c) success criteria;
2. Changes to these elements may precede any other changes in strategic orientation, and that these changes may be implicit;
3. These elements have the potential to change very rapidly, and, even if made explicit, be lagged by other tangible elements like processes or scorecards, which, if not kept in check, may inhibit strategic alignment.

The adaptations to the model have been represented in figure 12:

Figure 12: Henderson & Venkatraman's (1993) Strategic Alignment Model (SAM) adapted to include the 3 additional elements of strategic alignment suggested by this research



These three further elements are not intended to be prescriptive, but instead, to highlight the most obvious aspects (particularly the ones found in this research) that are likely to change very quickly. As such, a definition or description of each is not necessary as it may imply that these elements are exhaustive (which, to be clear, they are not).

In adapting any conceptual model that has practical applications, there are a number of implications for further research on the topic. While these will not be discussed here, some areas for further research related to the findings will be suggested.

The key finding that the intangible, often invisible elements may often lag the tangible elements raise many questions, the most obvious one being "how does one manage this lag?" While this would make for interesting research, a starting point would be to first validate the finding in other organisations that are going through a similar transformation (though finding such an organisation may be difficult to find).

Another useful contribution would be to propose a model to evaluate and categorise an organisation (or organisations) in terms of their dominant alignment perspectives. While this research has done so qualitatively, it may be worth considering developing more quantitative models similar to that by Luftman (2000; 2003; 2005).

Further research could also focus more explicitly on distinguishing between the aspects that change very quickly. Though this research found and refers to (a) values and beliefs; (b) expectations; and, (c) success criteria, it is very likely that there are others, and, in finding them, further research could tackle the issue of managing them against aspects that take time to change e.g. competencies, governances, processes and infrastructures.

Lastly, an aspect of the *dominant alignment perspectives* that deserves research attention and investigation is the potential for conflict between roles and performance criteria, particularly where business and IT executives (or managers) beliefs about these differ. This has huge implications on organisations as they adapt from one perspective to another (as was the case in FinServ).

8. Access & Ethics

The only serious ethical issue that is of concern is that of confidentiality. A key aspect of this study deals with gathering sensitive views about the relationship between business and IT in the organisation. As a result, there may be some concerns that the views published may not necessarily be favourable to the organisation, nor will individuals want to be quoted on specific issues.

To address this issue, the dissertation does not make reference to any actual company or project names i.e. where necessary, it is referred to as the pseudonym, "FinServ." It also does not specifically reference any individual person who has contributed to the content of this research.

Approval to proceed with the study was obtained in writing from the Chief Information Officer (CIO).

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10. Appendix

10.1 Organisational Operating Model: Past & Present

Figure 13: FinServ New Business Model

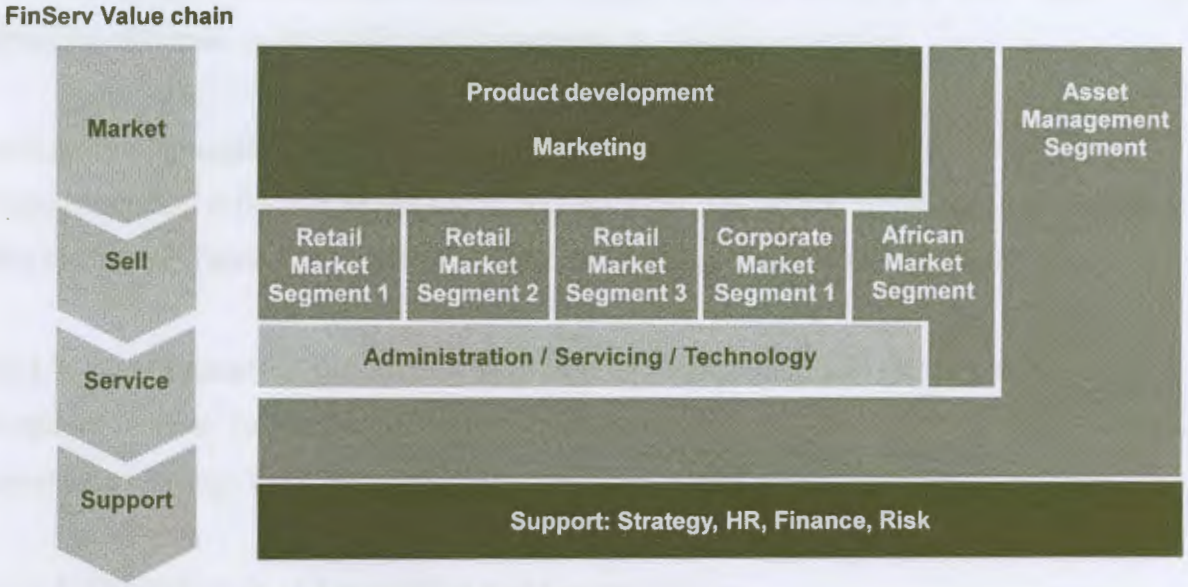
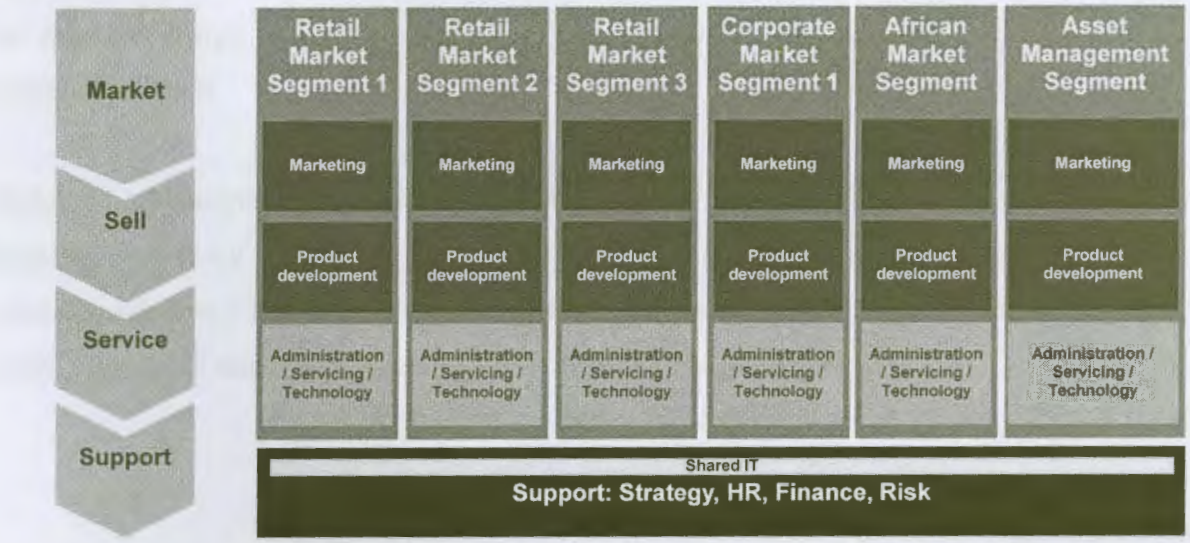


Figure 14: FinServ Old Business Model



10.2 Summary of Principles for Interpretive Field Research (Klein & Myers, 1999, p.72)

10.2.1 The Fundamental Principle of the Hermeneutic Circle

This principle suggests that all human understanding is achieved by iterating between considering that interdependent meaning of parts and the whole that they form. This principle of human understanding is fundamental to all other principles.

10.2.2 The Principle of Contextualization

Requires critical reflection of the social and historical background of the research setting, so that the intended audience can see how the current situation under investigation emerged.

10.2.3 The Principle of Interaction Between the Researchers and the Subjects

Requires critical reflection on how the research materials (or "data") were socially constructed through the interaction between the researchers and participants.

10.2.4 The Principle of Abstraction and Generalization

Requires relating the ideographic details revealed by the data interpretation through the application of principles one and two to theoretical, general concepts that describe the nature of human understanding and social action.

10.2.5 The Principle of Dialogical Reasoning

Requires sensitivity to possible contradictions between the theoretical preconceptions guiding the research design and actual findings ("the story which the data tell") with subsequent cycles of revision.

10.2.6 The Principle of Multiple Interpretations

Requires sensitivity to possible differences in interpretations among the participants as are typically expressed in multiple narratives or stories of the same sequence of events under study. Similar to multiple witness accounts even if all tell it as they saw it.

10.2.7 The Principle of Suspicion

Requires sensitivity to possible "biases" and systematic "distortions" in the narratives collected from the participants.

10.3 Sample Interview Extracts

The samples presented in this section are intended to highlight the richness of data emanating from the interviews. These extracts where specifically selected to highlight the reasons why interviewees felt that IT was not aligned to the business, and were specifically positioned within the context of "pain-points" with IT. Where necessary, certain points have been edited out or masked (with "*Xxx*") due to sensitivity. It is also important to note that the inconsistency with regard to the format and structure of the notes are due to the unstructured nature of the interviews themselves, whereby the notes have been transcribed in accordance with the path that the discussion followed.

10.3.1 Interview L (Conducted: 10 December 2007)

- Opening Comment: The business requirements were spot-on, but the pain-points are too general and this left him with a sense of discomfort. He has very specific pain points.
- Rationalisation of the *Xxx* suit is needed to achieve cost, response, reliability. Can talk to *Xxx* to understand what work needs to be done.
- Rapid regulatory change means that we may have to do things that our platforms have not been designed for. One problem is that we are not anticipating well enough what is coming. This impacts servicing, reporting etc.
- We have elements of single customer view, but have not achieved this fully. This impacts our ability to grow, cross-sell and provide customer value.
- Customer analytics – understanding our clients' needs; and customer interaction – both in terms of product distribution and servicing – are where IT can make the biggest contribution in terms of growth.
- The non-life platforms (i.e. investment platforms) are being dealt with poorly but are a priority for *Xxx*.
- Exploitation of web & mobile technology is not sufficient.
- Completing *Xxx* and the resultant effectiveness of the *Xxx* platform.
- Resolving the *Xxx* roadmap to improve cost effectiveness.

- *Xxx* may not be a sustainable solution for a growing business e.g. the introduction of *Xxx* products. We need a platform that is sustainable into the future. This should be flexible and support the servicing strategy into the future.
- Asset Management: This is a key part of our business that IT does not understand well enough.

- Financial Systems: Have we really managed a good return from the *Xxx* implementation? There still appear to be inefficiencies e.g. the speed of reporting & instances of manual accounting.
- HR Systems: IT needs to ensure more it is more commoditised.
- Point of Sale & Advice Systems: IT doesn't understand the cost of ownership and integration into other systems.
- Infrastructure:
    - There is a heavy reliance on Project *Xxx* to deliver value and savings
    - The risk is our ability to drive out benefit
    - We also need to manage the risk to business during the transition time
- Client and Marketing:
    - For our client data, we need a single view of the truth
    - We need better data integrity i.e. who owns what data, how is data captured, who does what with the data, how do we drive value from the data
    - We currently don't analyse our customer interactions. This is a function that is under-resourced.
- Missing in the organisation:
    - The business need to be educated to understand IT better
    - Business needs a clear understanding of the IT choices and implications of these choices e.g. What trade off in spending R50m on servicing, delivering in 6 months versus spending R100m over two years, but not being able to do any product delivery in this time. I am looking for the right information to be supplied with the trade-offs that you give me.
    - We need a plan to address our people capability.
- Measurement of IT's performance needs attention.

- Decision Process: We need to get this right as all other deliverables depend on this (i.e. Governance).
- Synthesis: Often we run projects to resolve issues, but don't pull together the outcomes cohesively enough
- Synergy:
    - How much support do we give the rest of the world (i.e. other group companies)
    - Specifically, in Africa we need a model more like the Namibian model
    - We need to have a look see at whether we can benefit from the *Xxx* broker support tools e.g. customer, risk and advice tools.
- Partners: What work should be done where, by when and by whom e.g. should our servicing agents be spread across SA, the UK and India OR should we have them in *Xxx*?
- Needs to go into the IT strategy:
    - We need to assess each of the major paths that we are on and make calls. Should we revisit these decisions? Is it good for a number of years and for how long? Which strategic suppliers should we be working with?

10.3.2 Interview K (Conducted: 10 December 2007)

- Opening Comment: The interview guide captured the right issues.
- When it comes to delivery of requirements or even pain-points, IT needs an agreed, signed off over-arching strategy framework. In the absence of this there is no clear starting point to agree delivery of individual components.
- All choices will require choices with consequences, so in the absence of the roadmap, the pain points may be symptoms of the missing roadmap that once agreed, may have to be accepted. An agreed roadmap will enable us to calibrate the different agendas across the organisation.
- Cross-and up-sell investment is driving growth, but may not be cost-effective. There is evidence that we are getting sales off the back of this and we plan to continue investing in this.
- Market Share – more related to growing distribution rather than IT. Distribution needs to be effectively enabled by IT.

- Innovation – especially lacking in *Xxx*. The time taken to make a decision for the investment platform has held us back in that it has constrained product innovation. Innovation is also required to reach the mass market in a cost-effective way.
- IT TCO – too high, but primarily owing to platform duplication. *Xxx* indicated that we do not have a handle on our IT cost levers. The complexity and interwoveness of our solutions makes the cost too high. IT costs need to be known, so that trade-offs can be made. It's especially helpful to know the costs of the different slices e.g. network, telecoms. We glibly ask for a saving of R100m, but don't understand the true impacts of this ask. The IT cost base can't grow in 2008 as it will offset expected profit growth.
- The external customers client experience has improved, but the investment world has not kept pace owing to the time taken to reach a decision on the investment platform. (*Xxx* is not the holy grail and putting all products onto one platform will result in pipeline congestion)
- Side Comment: *Xxx* prefers the approach of the 'fleet of ships' versus 'all in one canoe'
- We need an integrated self-service approach and should drive this hard. Self-service focuses advice and allows advisors to be more productive.
- Data integrity is a problem. FICA is interpreted differently across different parts of the business, so it can be difficult for client data to be kept up to date. To improve data quality we need to have a high degree of automation from the advisor to the back-end.
- The inbound functionality for RA transfers section-14 legislation is critical. Section 14 allowing transfers out of our RA funds are our single biggest financial risk for 2008.
- IT People – we have under-invested in skills, probably due to outsourcing chunks of functionality. More focus should be placed on career-pathing from IT to the business and back to IT
- Branches should be more modular, in retail centres and client friendly. This means that more 'client-friendly' functionality should be available at the front end, versus having to make calls back to the back-office. Branches should be viewed as a channel.

- There needs to be continued investment in technology going forward e.g. Emerald, an outbound service that requires more information around client, so requires investment on the front end.
- There is no clear IT governance model - we find it difficult to engage with IT because there are uncoordinated pockets of delivery across FinServ.
- His Top Three Priorities (that need to be added) are:
    - Platform Strategy – in particular the delivery of the investment platform for 2008.
    - The use of mobile to link to transactional websites.
    - The unknown – *Xxx* doesn't know what he doesn't know and this means that he might be missing out on business opportunity because we are behind the innovation curve. E.g. we are not tapping into the youth market to sell unit trusts by leveraging their communication trend with cell-phones e.g. this might be an ideal channel for the sale of unit trusts.

10.3.3 Interview O (Conducted: 10 December 2007)

- Time to deliver may not always be the problem – it's more a case of IT being on the critical path too often – this may be symptomatic of underlying causes like the lack of advanced planning/forecasting and industrial strength processes (even though we are CMM3 we don't actually operate there);
- Cost is the biggest question – what does TCO look like, how do we benchmark and reasonably project it (create some predictability) – even 10 – 15 years forward? How do we understand where there's waste and where there's underfunding? Going forward we have huge costs per policy challenges (e.g. from R20 to R5) – this is a different world in which we need to do things radically different – also if we want to outsource, we need to understand the costs and pricing the contracts will be based on;
- Credibility and engagement is problematic – will only start to change once IT starts delivering;
- Leadership on consumption management – IT needs to build an understanding of what the business wants to do (and strongly challenge), and the business needs to take ownership of their decisions;

- Level of risk in the IT environment that we carry is too high and manifests itself in complexity, costs – this is unacceptable – we need to de-risk to a more acceptable level;
- Transformation challenge in our IT resource pool – has to be part of the IT strategy; Also retaining talented people and management;
- Product platform – everything except *Xxx* is on a package – the models in which we deliver on these platforms are therefore different - what is the best option?
- IT strategy is only a means to an end – beyond this there needs to be ongoing leadership and engagement at an executive level
- *Xxx* business model – can we outsource development or other aspects of IT? What's not core to us?
- *Xxx* is the powerhouse that we can leverage globally – there are also pockets elsewhere that we could leverage here – also need to consider if for certain things we can do central development (not just a "version of *Xxx*" that's extended);
- We need to create the IT piece of the *Xxx* business headlines – *Xxx* offered to help do this in conjunction with *Xxx*;

10.3.4 Interview P (Conducted: 10 December 2007)

- Missing - External Client Needs: Most clients want flexible products, a flexible service experience and More self-service.
- IT doesn't do all that we need it to e.g. *Xxx* missing functionality, self-service
- IT takes too long to deliver, both for new products as well as for relatively minor changes, 'tweaks'. In this regard the time taken to test is often the culprit. Times quotes often contradict 'gut-feel' times that one would expect a change to take. E.g. How is it that the *Xxx* Product took 4 months to build in its entirety versus two months quoted for relatively minor changes. IT need to unpack what the contributing factors to times quoted.
- IT drives how the service processes are set up and this often leads to counter-intuitive processes e.g. duplication of information entry on application forms. Strong business experts should be available to shape how service should work e.g. Service people like *Xxx*
- FinServ is not an industry leader that enables its clients with technology

- There may be a need to re-architect for simplicity e.g. the many interfaces that need to be touched to affect changes delays overall delivery
- We are behind with delivery of new product to market and need to play 'catch-up', so fixing existing problems should be planned in this context.
- A feasible strategy delivery in *Xxx* is insufficient to make *Xxx* happy. This needs to be backed by a solid plan that starts to deliver. IT need to win back credibility and this can only be done on the back of delivery.
- IT need to unpack the cost implications of product development requests e.g. given what storage costs, should less data be stored for a particular development. What is the cost-benefit ratio for specific requests e.g. the Cash flow table grows rapidly per product sold – can this be implemented more efficiently
- The product convergence between *Xxx* and *Xxx* envisaged in Retirement Fund Reform is not reflected in our IT systems. Given the long delivery times for IT solutions, a concern is that a new entrant e.g. *Xxx* could beat us to market with this new generation of products if we have not geared ourselves sufficiently to prepare for RFR.
- White-labelling of products is a fundamental business need and needs to be simpler e.g. it should take no longer than a month to deliver a white-labelled product
- Unpack Advice Tools from *Xxx*: Last reviewed 2 years ago. The impression was that they might be too sophisticated for our market, but that our advisors should learn. They also required high-speed internet access, not available then, but more available now. The plan is to revisit whether we could benefit from leveraging use of these tools.