A Framework to Enhance Business and Information Technology Alignment Through Incentive Policy

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ABSTRACT

The alignment of Business and IT is still an important concern of IT managers. Alignment, as most others organization challenges, is essentially promoted by people. So, adequate people’s incentives should be accordingly designed with that purpose in mind. A framework that enhances alignment through an incentive policy is proposed, relating incentive initiatives with alignment criteria. Framework uses Luftman instrument, where its dimensions represents alignment opportunities that should be explored. The used incentive instrument is based on the WorldatWork model. An incentive policy should consider five areas: compensation, benefits, work-life, performance/recognition and development/career opportunities. Strategic alignment dimension is composed by six areas: communications, competency/value measurements, governance, partnership, technological scope and skills. The framework supports the definition of an incentive policy enhancing general and specific alignment dimensions. Theorization about some possible direct relations between the dimensions of an incentive policy and alignment is made, helping the incentive policy definition.

Keywords: Business Alignment, Incentive Policy, Information System Planning, IT Alignment, IT Strategy, Reward, Strategic Alignment

INTRODUCTION

Business and Information Technology (IT) alignment continue to be one of the most significant apprehensions of IT managers. Regular studies confirm that the alignment of IT and business issue remains a top concern to most managers of IS/IT (Information Systems/Information and Technology), becoming still as the most important concern of those in 2008 (Luftman, Kempaiah, & Rigoni, 2009). Another concern, also considered a top priority one, is the strategic planning of IT, which is related to the alignment one. The call of the Chief Information Office (CIO) and his IT team to active participate in the business strategy-development process hasn’t been a common practice. The understanding of how business

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strategy is reciprocally created with IT strategy should be an important management concerning. Successful organizations are those that mostly closed align business with IT strategy, usually sharing the responsibility between the CIO and others C-levels executives (Conger, 2009). So, it is important to know how the strategy development can cause changes or challenges in any IT resources, not only of financial or capital type, but also of human type. The alignment, as most others challenges of organizations, is essentially promoted by people. So, adequate people’s incentives should be designed accordingly with that purpose in mind. On the other end, service innovation requires the research of the evolution of service delivery and how to assure social and corporate responsibility in planning, developing, operating, and managing service systems. Among others service systems, there is the E-service system (e-SS) concept, which can be defined as a “mission-goal-strategy-driven configuration of technology, organizational processes and networks designed to deliver services that satisfy the needs, wants, or aspirations of customers, citizens, and users” (Targowski, 2009). The model of service evolution proposed by Targowski (2009), composed by six stages and their paradigms, present an evolution between a Collaborate Model (1970s) and a Robotize Model (2020). Nevertheless, service systems are becoming more and more complex, and so, the more social, corporate and personal responsibility requires. This responsibility represents a noble task and supports the definition of several laws of service systems, underlining the indispensability of human presence when developing systems or the importance of human race protection. The necessity of having a responsible manner in the development and management of services systems is the base of these laws which should be signed by governments, scientific, professional, trade and industry associations (Targowski, 2009). The importance of defining the right incentives to promote the right motivation among IT professionals are becoming more and more urgent. So that service management or innovation evolutes in the correct way to society, organizations and individuals.

Author presents a brief literature review about the alignment of business and IT. He also underlines the instrument proposed by Luftman (2003) as a tool to measure the alignment maturity of an organization. In addition, he presents some motivation that leads to the necessity of valorizing the role of an incentive policy in order to enhance the alignment. Some classical behavior theories related to incentives are reviewed (Alderfer, 1969; Eisenhardt, 1989; Isaac, Zerbe, & Pitt, 2001). Author then briefly presents an actual global incentive model (WorldatWork, 2008). It considers the incentive policy with five areas; compensation, benefits, work-life, performance/recognition and development/career opportunities.

The author proposal is the enhancement of business and IT alignment through an incentive policy, so he proposes a framework that relates incentive initiatives with alignment criteria. He uses the Luftman (2003) alignment instrument and its’ criteria as a way to propose incentive initiatives that can enhance each alignment factor. The incentive instrument used is the WorldatWork (2008) model. Strategic alignment dimension is composed by six areas; communications, competency/value measurements, governance, partnership, technological scope and skills. The proposed framework defends the definition of a global incentive policy in order to enhance each of the business and IT alignment areas. Besides that, certain incentive initiatives may directly improve some business and IT alignment dimensions. Author theorizes about some possible direct relations among the five areas of the incentive policy and the six areas of the alignment which should be taken into account before defining an incentive policy.

**ENHANCEMENT OF BUSINESS AND IT ALIGNMENT THROUGH AN INCENTIVE POLICY**

One aim of this study is to develop a resumed literature review on the topic strategic alignment between business and information technology. It also intends to review most important theories and models related to individual behavior