IT Strategy and Business Strategy Alignment: Assessing Risk of Misalignment in Large Financial Institutions

Abstract

In many organizations, the anticipated value from IT investments is not being realized and this is due to the lack of alignment between business and IT strategy. The two are considered separate and managed accordingly in many organizations. IT strategy should be considered as the enabler of the business strategy as opposed to a “back office” support function. IT strategy is key to gaining value from IT investment. To gain value from IT investment, IT strategy should be aligned to business strategy. The alignment between IT and corporate strategy has been one of the top issues in the Information and Communication Technology (ICT) field. There are enablers and inhibitors to the alignment of IT and business strategy. Identification of the enablers and inhibitors to the alignment of IT and business strategy will contribute to the identification of a risk framework or development of a risk assessment tool to capture the risk impact from the elements causing misalignment.

The research seeks to answer the following questions: What are some of the key elements which influence the alignment of IT strategy and business strategy in large financial institutions? How do we identify and assess the risk from these elements? The key elements of IT strategy and business strategy alignment have been identified through the findings from literature. The enabling and inhibiting elements considered by the three strategic alignment frameworks are used as the foundation for the study. The risk impact of elements of misalignment is understudied. This research will attempt to use the identified 4A risk framework in conjunction with the strategic alignment frameworks to evaluate the dimensions of risk faced by large financial institutions related to the identified elements of misalignment. An exploratory sequential mixed method design will be used. The purpose of this exploratory sequential design will be to first qualitatively explore with a small sample and then use the findings in a quantitative phase. The second database (survey data) will build on the results of the initial database (interview data).

The research contains certain limiting conditions, some related to qualitative research methodology and some related to the study’s research design. This study is limited to large financial services institutions. Collection of data through interviews has inherent limitations. The qualitative data questions narrow the scope of the quantitative questions and could make comparison of variables and concepts challenging. The sample size may also be inadequate on either quantitative or qualitative side of the study. Additional validity concerns could arise in exploratory sequential design.

The central research question on identification and assessment of risk from misalignment of IT strategy and business strategy will enable senior management to understand the risk impact of misalignment on the firm. This will help them take action to reduce risk and improve performance through improved strategic alignment of IT and business strategy.