

Chapter 40

Alignment of Business Strategy and Information Technology Considering Information Technology Governance, Project Portfolio Control, and Risk Management

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ABSTRACT

Information technology (IT) governance is an important component in developing an overall business and IT strategy. Factors to consider in the IT governance and strategy relationship are project portfolio control, risk management. Using a quantitative survey of 201 IT executives a significant relationship was shown between effective IT governance and project portfolio control and risk management. However, the results of the study did not support a significant relationship between effective IT governance and business/IT alignment. Ultimately, this study helped to shed light on the relationship between effective IT governance and project portfolio control as well as provided support to the existing literature on the relationship between effective IT governance and risk.

THEORETICAL FRAMEWORK

This study is based on the notion that there is a relationship between effective IT governance and portfolio control, risk management and business/IT alignment. Weill and Ross's (2005) conceptualization of effective IT governance informed this study. The theoretical framework for this study is based on the

DOI: 10.4018/978-1-5225-5481-3.ch040

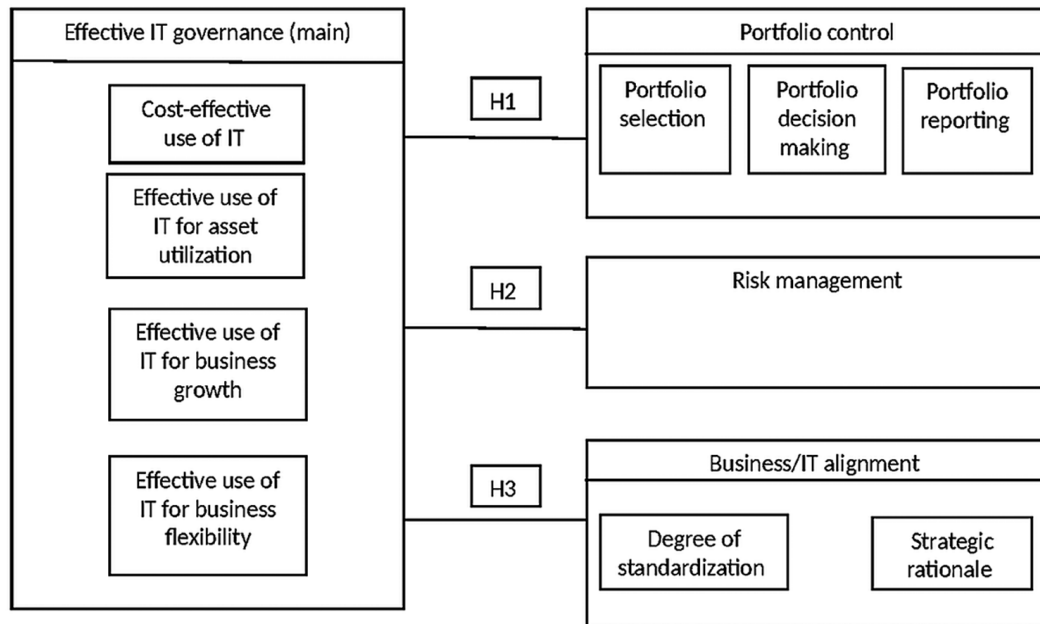
concept of IT governance performance as postulated by Weill and Ross. Weill and Ross (2004) evaluated IT governance effectiveness based on four outcome measures. These outcome measures are cost-effective use of IT, effective use of IT for growth, effective use of IT for asset utilization, and effective use of IT for business continuity.

Bradley and Pratt's (2011) research work on the relationship among entrepreneurship, IT governance, and risk management guided this study. Bradley and Pratt found that IT governance has a positive effect on IT risk management. Müller et al.'s (2008) conceptual model on project portfolio control also guided this study. Finally, Tanriverdi's (2006) study on business/IT alignment also guided this study. Weill and Ross (2005) maintained that effective governance leads to alignment between an organization's IT investments with overall business priorities.

Effective IT governance is vital for achieving and sustaining business-IT alignment (De Haes & Van Grembergen, 2008), aligning IT investments with overall business priorities, determining IT decision rights, and assigning responsibility for the results (Weill & Ross, 2005). Tanriverdi (2006) posited that coordinated business strategies entail coordinated IT strategies. In effect, the two go together. For this study, the two key variables on business/IT alignment will be the degree of process standardization and the strategic rationale for investing in IT, to include cost reduction, differentiation, and strategic flexibility (Tanriverdi, 2006).

The relationship between effective IT governance and project portfolio control, risk management, and business/IT alignment is diagrammatically depicted by Figure 1.

Figure 1. Model of relationship between IT governance effectiveness and project control, risk management, and business/IT alignment



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