

# Chapter 4

## IT Governance and Business– IT Alignment Frameworks, Models, and the Best Practices

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### **ABSTRACT**

*Information technology (IT) has become a vital function, and almost all organizations depend on IT. The IT dependency causes the executives to use IT governance practices for the IT investment decision-making process. Organizations spend more on IT investments even those that are over budget, come under pressure, behind schedule, and are generating fewer paybacks than anticipated. Hence, business organizations are continuously examined and believed to be answerable for their IT investment more than ever. This chapter focuses on various IT governance and business-IT alignment frameworks, models, and best practices to discuss in this context.*

### **1. INTRODUCTION**

IT is the key enabler for all organizations, and it has confronted the traditional way of doing business (Abdulrasool and Turnbull 2020). Though, the businesses have invested a huge amount of money in IT investment; the payoff from IT is always a major concern for executives and managers. Despite the growing amount of IT investment, managing IT and IT governance decisions have ever more become complicated due to vague cost relationships, uncertain payoffs, rapid technological changes, and uncertain business environments. Similarly, the traditional view of IT governance may not sufficiently address today's strategic, managerial, and technological complexity and it no longer resembles with what is trendy in the real world business phenomenon. Nowadays, IT governance made to a growing clock speed of enterprises, imposing firms to govern their IT investment (Turel et al. 2017). The IT governance has

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a direct impact on how IT is managed within the organization and includes the implementation of IT management techniques and procedures in conformity with well-known IT governance practices and policies (Bowen et al. 2007).

As IT governance is a vital part of enterprise governance, it imposes a set of IT governance practices to implement more efficiently as to stimulate the analogy with the corporate mission, strategy, culture, value, norm, and business processes (Ali and Green 2012; Dong 2012; Van Grembergen and De Haes 2009; Wu et al. 2015). IT can have a positive effect, no effect, or even a negative effect on performance, in relation to how well IT is managed and governed (Turel et al. 2017). IT is recognized as a vital part of business processes, and IT covers all business functions consequently, firm designs and recombines IT resources in the direction of alignment between business and IT functions (Turel et al. 2017). Hence, the objective of this chapter is to discuss existing various IT governance and business-IT alignment frameworks, models and best practices in detail in this context. This chapter contribute to the literature that to discuss the existing IT governance and business-IT alignment frameworks, models and best practices to manage IT investments in an organization.

## **2. EXISTING MODELS AND FRAMEWORKS IN IT GOVERNANCE**

IT governance is defined as “the organizational capacity exercised by the board, executive management and IT management to control the formulation and implementation of IT strategy and in this way ensure the fusion of business and IT” (Van Grembergen and De Haes 2009). Whereas the enterprise governance of IT addresses the definition and implementation of processes, structures, and relational mechanisms that enable both business and IT stakeholders to execute their responsibilities in support of business-IT alignment and the creation and protection of IT business value (De Haes et al. 2020). IT governance is a subset of overall governance responsibilities of the Boards and denotes the decisions about key IT activities and investments in the organizations (Parent and Reich 2009). The effective IT governance is an active means to decrease risk, lessen the impact of IT-related failures, reduce the cost of capital, and make lasting shareholder value (Parent and Reich 2009). With the effective IT governance framework, IT-enabled business investments are well managed and generate value, whereas the weak IT governance provides the same chance to destroy the value (Centre 2005).

The industry cases make shock stories for value destruction example, Nike lost over US\$ 200m failure in implementing its supply chain software, failures in IT-enabled logistics systems at MFI and Sainsbury vanished to multi-million pound (Centre 2005). Today, IT serve a vital function, and almost all organizations depend on IT. This IT dependency causes executives to use IT governance practices in the decision-making process. There are reasons why IT governance has evolved as a field and exists on its own. Because, most of the organizations’ IT investment account for a larger portion of their budget, IT always referred to as a technical field which cannot easily be understood, and investment in IT and its value generation not visible for non- technical executives. Furthermore, IT investments are not able to create the apparent value unlike the business case, and IT itself is a complex, and it require governance to make transparency. Figure 1 and Table 1 illustrates IT governance frameworks and standard with their primary IT-related functions.

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