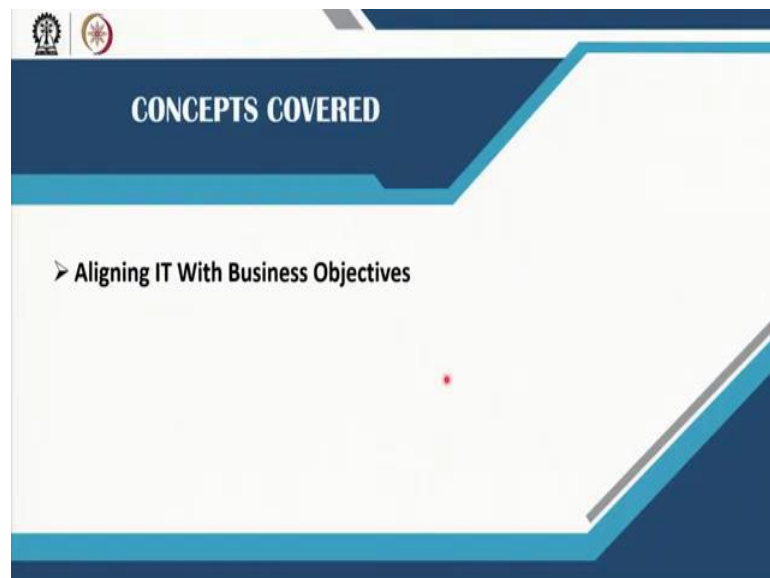


Management Information System
Prof. Kunal Kanti Ghosh
Vinod Gupta School of Management
Indian Institute of Technology, Kharagpur

Week – 07
Module - 02
Lecture - 31
Aligning IT with Business Objectives

Hi, welcome to the 2nd module of the 7th week in our course on “Management Information Systems”! In this module, we are going to discuss alignment of information technology with the business objectives and goals of an organization.

(Refer Slide Time: 00:50)



(Refer Slide Time: 00:53)

Aligning IT With Business Objectives

- ❖ The more successfully a firm can align information technology with its business goals, the more profitable it will be
- ❖ Only one-quarter of firms achieve alignment of IT with the business
- ❖ About half of a business firm's profits can be explained by alignment of IT with business

NPTEL Online Certification Course
IIT Kharagpur

So, these are this is the concept that we are going to deal with. What does this alignment of IT with business objectives mean? It refers to the consistency between the business goals of a company and the goals of the information technology department. The IT strategy and the business strategy should be consistent.

Not only consistency is required between business goals and information technology strategy, but also information technology strategy should also support the strategy of other functional departments. Then, only organizational goals can be achieved. The more successfully a firm can align information technology with its business goals, the more profitable it will be.

Only one quarter of firms achieve alignment of information technology strategy with the business objectives of the firm and about half of a business firms profits can be explained by alignment of IT with business. We must keep this thing in mind. And hence, alignment or consistency between business strategy and information technology strategy is absolutely essential for the success and sustainability of any firm.

(Refer Slide Time: 03:27)

Aligning IT With Business Objectives

- ❖ Most businesses get it wrong.
- ❖ Information technology takes on a life of its own and does not serve management and shareholder interests very well.
- ❖ Instead of taking active role in IT, business people ignore it
 - Claim not to understand It
 - Tolerate failure

NPTEL Online Certification Course
IIT Kharagpur

But as a matter of fact, most businesses get it wrong. They have the idea that information technology takes on a life of its own and does not serve management and shareholder interest very well. They have this along notion. Instead of taking active role in information technology, business people ignore it, by claiming that they really do not understand the complexities of information technology and they are not ready to tolerate any kind of failure.

(Refer Slide Time: 04:42)

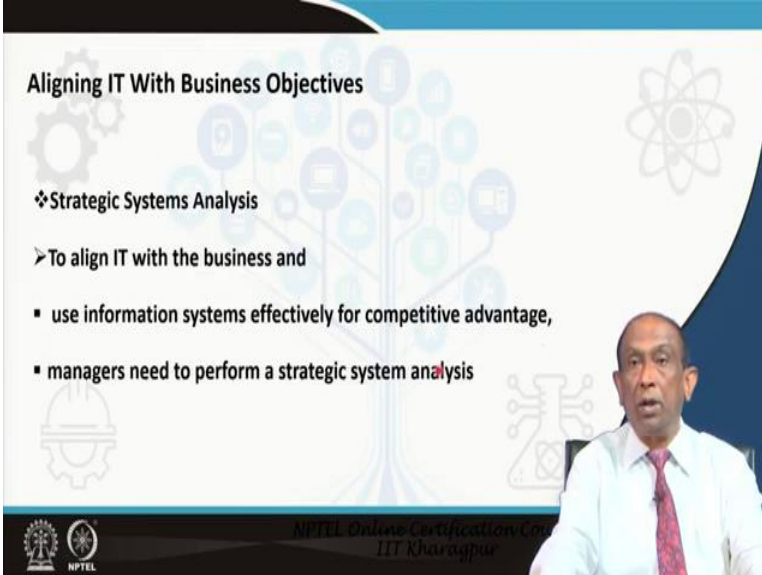
Aligning IT With Business Objectives

- ❖ Successful firms and managers understand
 - ✓ what IT can do and
 - ✓ how IT works,
 - ✓ take an active role in shaping its use, and
 - ✓ measure its impact on revenues and profits

NPTEL Online Certification Course
IIT Kharagpur

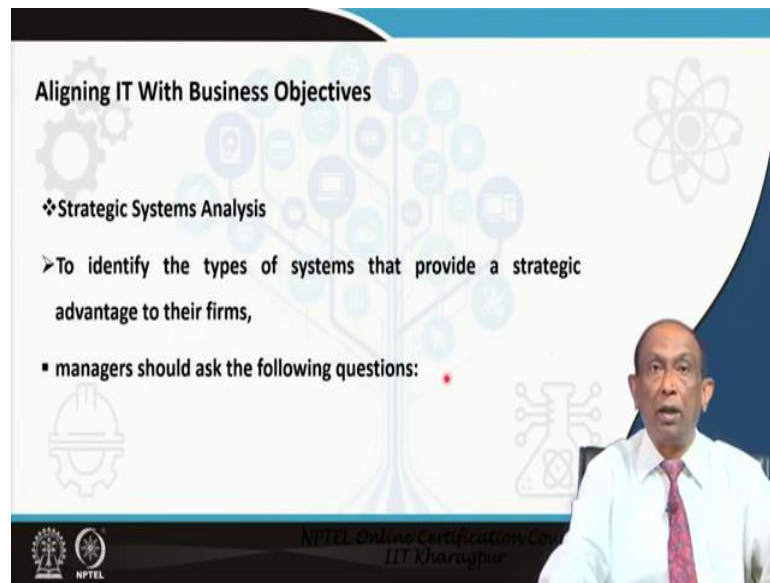
But world class companies and all those firms, who are successful and all those who have derived high profits. The managers of those firms, what information technology can do and how information technology works. The managers of this firm, they take an active role in shaping the use of information technology as well as measure the impact of information technology on revenues and profits of the firm.

(Refer Slide Time: 05:47)

The image shows a presentation slide with a blue and white background. The slide title is "Aligning IT With Business Objectives". Below the title, there is a sub-heading "❖ Strategic Systems Analysis". Underneath, there is a bullet point: "➤ To align IT with the business and". This is followed by two sub-bullets: "▪ use information systems effectively for competitive advantage," and "▪ managers need to perform a strategic system analysis". The slide features decorative icons of gears, a tree with nodes, and a molecular structure. In the bottom left corner, there are logos for NPTEL and IIT Kharsgpur. A man in a white shirt and red tie is visible in the bottom right corner, appearing to be speaking.

Now, the most important thing for alignment of information technology with business goals is strategic system analysis. In here, managers' primary goal is to use information systems effectively for deriving competitive advantage. So, we must remember that strategic systems analysis is required, such that information systems can provide the required competitive advantage to that organization.

(Refer Slide Time: 07:04)



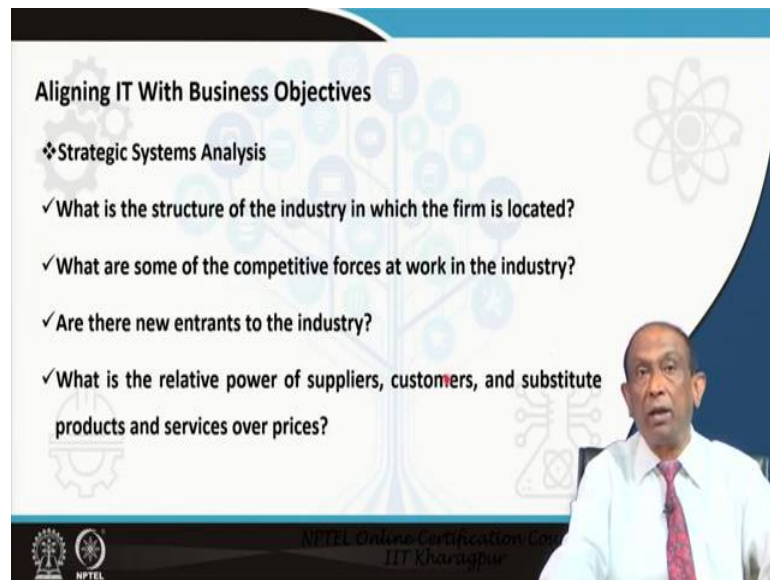
Aligning IT With Business Objectives

- ❖ Strategic Systems Analysis
 - To identify the types of systems that provide a strategic advantage to their firms,
 - managers should ask the following questions:

NPTEL Online Certification Course
IIT Kharsgpur

The purpose of strategic systems analysis is to identify the types of information systems which can provide a long-range advantage to the firms. And in doing strategic systems analysis, managers should ask various types of questions including what is the structure of the industry in which the firm is located.

(Refer Slide Time: 07:50)



Aligning IT With Business Objectives

- ❖ Strategic Systems Analysis
 - ✓ What is the structure of the industry in which the firm is located?
 - ✓ What are some of the competitive forces at work in the industry?
 - ✓ Are there new entrants to the industry?
 - ✓ What is the relative power of suppliers, customers, and substitute products and services over prices?

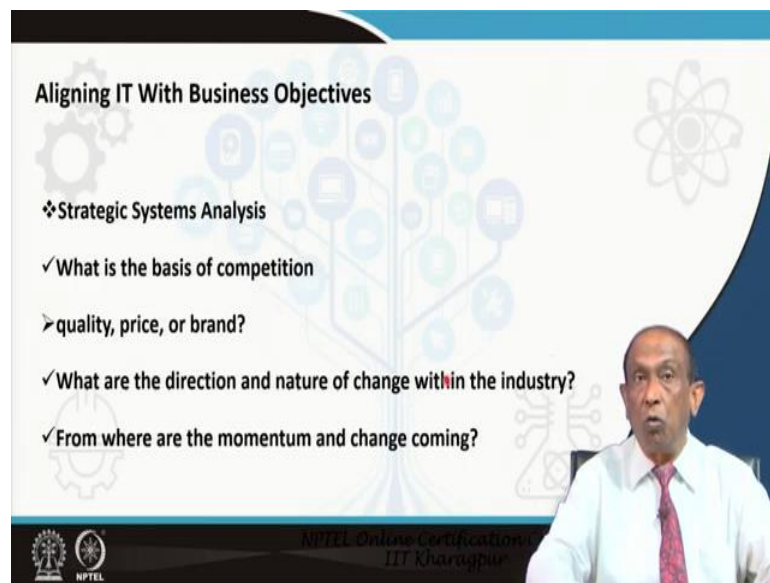
NPTEL Online Certification Course
IIT Kharsgpur

So, understanding this industry structure is very-very important for doing strategic systems analysis. The next question that they should ask is, what are some of the competitive forces at work in this industry? It is very important to identify the

competitive forces. The third question that they should ask are there new entrants to the industry; what kind of competitive threads are being posed by these new entrants?

And if you have understood the first module properly, then you will appreciate that the fourth important question for performing strategic systems analysis is that the managers must know what is the relative power of suppliers, customers, substitute products and services over prices, what is their impact.

(Refer Slide Time: 09:40)



The image shows a video frame of a presentation. The slide is titled "Aligning IT With Business Objectives" and features a background of a stylized tree with various icons (gears, lightbulbs, etc.) and a large atom symbol in the top right. The slide content includes:

- ❖ Strategic Systems Analysis
- ✓ What is the basis of competition
 - quality, price, or brand?
- ✓ What are the direction and nature of change within the industry?
- ✓ From where are the momentum and change coming?

In the bottom right corner, a man in a white shirt and red tie is speaking. The bottom of the slide has logos for NPTEL and IIT Khargapur.

Managers need to know what is the basis of competition in that industry; is it quality, is it price or is it a brand, what are the direction and nature of change within the industry from which direction from which source are the momentum and change coming in?

(Refer Slide Time: 10:33)

Aligning IT With Business Objectives

- ❖ **Strategic Systems Analysis**
 - ✓ How is the industry currently using information technology?
 - ✓ Is the organization behind or ahead of the industry in its application of information systems?

NPTEL Online Certification Program
IIT Kharyagpur

They should find answers to the question. How is the industry currently using information technology? That is very-very important. Is the organization behind or ahead of the industry in its application of information systems?

(Refer Slide Time: 11:15)

Aligning IT With Business Objectives

- ❖ **Strategic Systems Analysis**
 - What are the business, firm, and industry value chains for this particular firm?
 - ✓ How is the company creating value for the customer – through lower prices and transaction costs or higher quality?

NPTEL Online Certification Program
IIT Kharyagpur

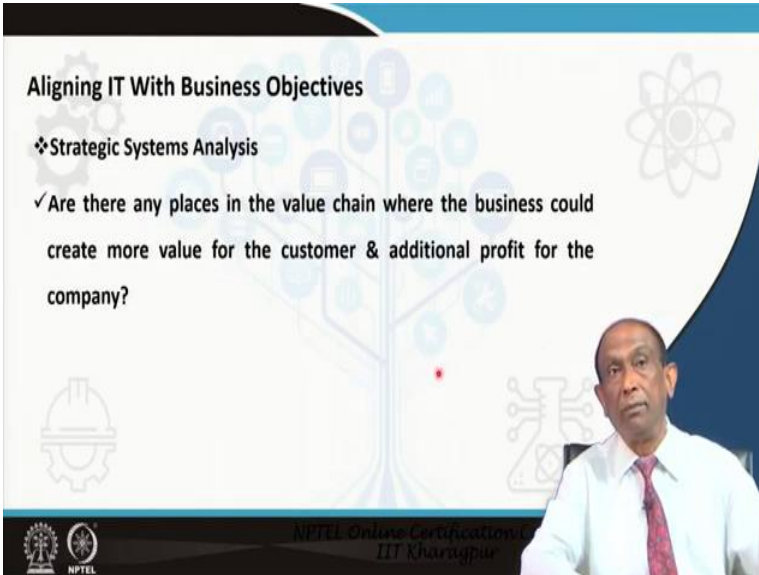
In order to do strategic systems analysis, the manager should get answers to this question of what are the business firm and industry value chains for this particular firm. They have to draw the value chain; they have to identify what are the primary activities; what are the secondary activities and how IT can play an active role in enhancing the

effectiveness and efficiency of those activities. They need to understand how the company is creating value for the customer. Is it through lower prices and transaction costs or higher quality?

Because it all depends upon the business objectives of the firm and the value chains reflect the business objectives or goals of the firm if the firm wants to be efficient. Then, lower prices and transaction costs become important.

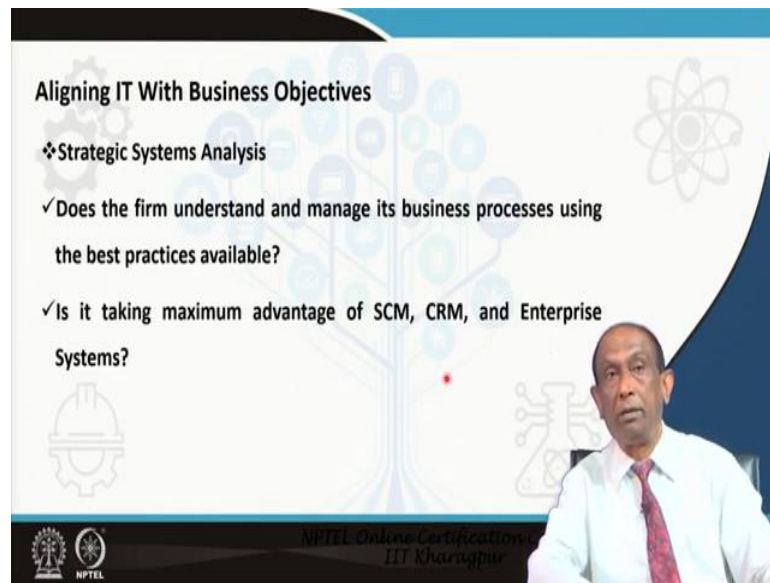
If the firm wants to be responsive; then flexibility, speed in delivering products and services, product variety, those are important. And managers need to understand the value chains to find out whether these two things are consistent or not and they should also try to find out how IT can be leveraged in achieving the consistency.

(Refer Slide Time: 14:02)

The image shows a video frame from an NPTEL lecture. On the left, a slide is displayed with the title "Aligning IT With Business Objectives". Below the title, it says "❖ Strategic Systems Analysis" and then a bullet point: "✓ Are there any places in the value chain where the business could create more value for the customer & additional profit for the company?". The slide background features a stylized tree with circular nodes and various icons like a gear, a hard hat, and a circuit board. In the bottom right corner of the video frame, a man in a white shirt and red tie is speaking. At the bottom of the slide, there are logos for NPTEL and IIT Kharagpur, along with the text "NPTEL Online Certification IIT Kharagpur".

In doing strategic systems analysis, managers should find out whether there are any places in the value chain, where the business could create more value for the customer and thereby, bring additional profit for the company. They should try to find out answers to the question of how IT can be deployed to minimize or eliminate the non-value-added activities.

(Refer Slide Time: 15:06)

The image shows a presentation slide with a blue and white background. The slide title is "Aligning IT With Business Objectives". Below the title, there is a sub-heading "❖ Strategic Systems Analysis". Underneath, there are two bullet points: "✓ Does the firm understand and manage its business processes using the best practices available?" and "✓ Is it taking maximum advantage of SCM, CRM, and Enterprise Systems?". The slide features several icons: a gear, a tree-like structure of nodes, a hard hat, and a stylized atom. In the bottom left corner, there are logos for NPTEL and IIT Khargpur. A man in a white shirt and tie is visible in the bottom right corner of the slide, appearing to be speaking.

Aligning IT With Business Objectives

❖ Strategic Systems Analysis

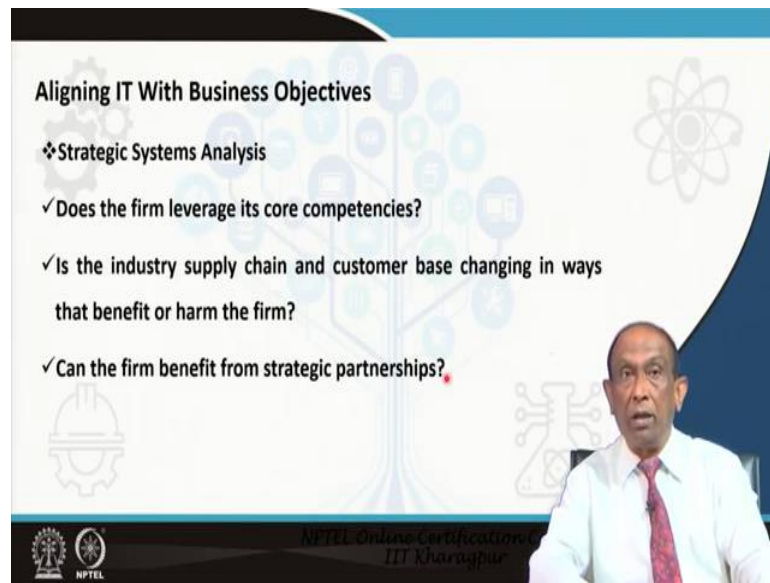
- ✓ Does the firm understand and manage its business processes using the best practices available?
- ✓ Is it taking maximum advantage of SCM, CRM, and Enterprise Systems?

NPTEL Online Certification
IIT Khargpur

Managers should try to get answers to the question of whether the firm understands and manages, its business processes using the best practices available. In finding out that, the managers might need to engage themselves in benchmarking activities. They should also find out whether the firm is taking maximum advantage of its capability in managing supply chain; how good is the firm in customers' relationship management.

And how effective and how efficiently the enterprise systems have been deployed in that firm; whether there is any scope of improvement in the enterprise systems that have been implemented in those firms. Whether all the modules have been properly integrated; whether they are effectively serving the purpose for which those systems have been implemented.

(Refer Slide Time: 17:29)



Aligning IT With Business Objectives

- ❖ Strategic Systems Analysis
 - ✓ Does the firm leverage its core competencies?
 - ✓ Is the industry supply chain and customer base changing in ways that benefit or harm the firm?
 - ✓ Can the firm benefit from strategic partnerships?

NPTEL Online Certification
IIT Kharagpur

In doing system strategic systems analysis, organization should find out whether the industry supply chain and the customer base is changing in ways that benefit or harm the firm.

That means, they must try to find out what are the changes that are taking place in the supply chain of that particular industry, the customer base, their requirement or the demand. Whether they are changing drastically or not and whether those changes are of advantage to the firm or those changes are going to cause problems for the firm. These are very important things in performing strategic systems analysis.

Managers also should find out that whether the firm can benefit from leveraging strategic partnerships with its suppliers or complementary firms. That means, firms which have got complementary skills and, in order to establish those kinds of strategic partnerships, whether information technology can be of any help or not.

(Refer Slide Time: 19:47)

Aligning IT With Business Objectives

- ❖ Strategic Systems Analysis
- ✓ Where in the value chain will information systems provide the greatest value to the firm?

NPTEL Online Certification
IIT Kharyagpur

The slide features a background with a stylized tree of nodes and icons representing various business and IT concepts. A speaker is visible in the bottom right corner of the slide frame.

In performing strategic systems analysis, managers should find out where in the value chain will information systems provide the greatest value to the firm. What are those positions? Where deployment of IT can bring in the maximum advantage?

(Refer Slide Time: 20:30)

Aligning IT With Business Objectives

- ❖ Strategic Systems Analysis
- Have we aligned IT with our business strategy and goals?
- ✓ Have we correctly articulated our business strategy and goals?

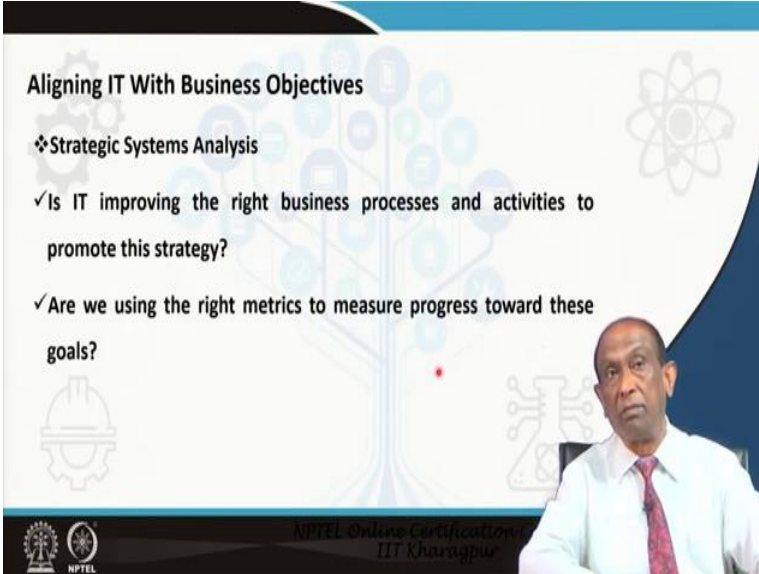
NPTEL Online Certification
IIT Kharyagpur

The slide features a background with a stylized tree of nodes and icons representing various business and IT concepts. A speaker is visible in the bottom right corner of the slide frame.

Finally, while doing this strategic systems analysis, managers should really find out that whether they have rightly aligned information technology with their business strategy and goals? But in doing that, the first thing that they need to explore or find out is that have they correctly articulated their business strategy and goals. Many a times, they do

not try to explore this particular thing; that whether the business goals have been correctly set or not and if they do not find answers to this question, performing any other exercise or activities that have been discussed will serve no purpose.

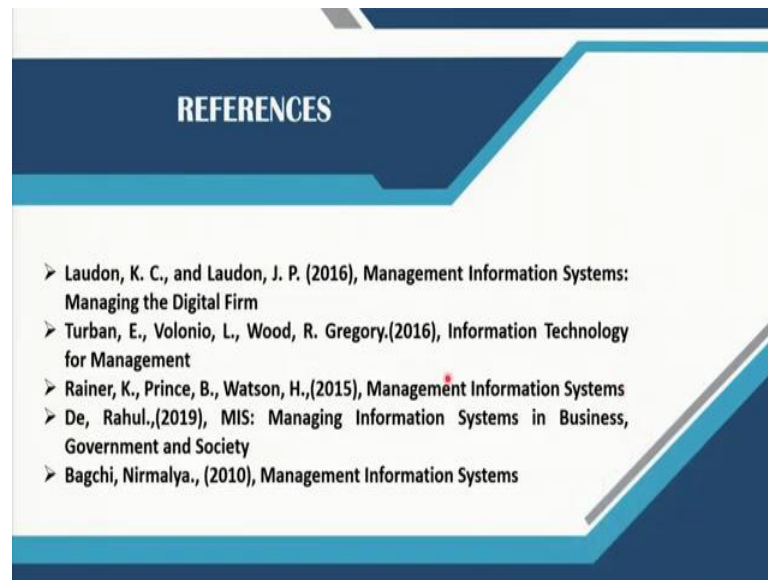
(Refer Slide Time: 21:53)

The image shows a presentation slide with a white background and blue accents. The slide title is "Aligning IT With Business Objectives". Below the title, there is a sub-heading "❖ Strategic Systems Analysis". Two bullet points follow: "✓ Is IT improving the right business processes and activities to promote this strategy?" and "✓ Are we using the right metrics to measure progress toward these goals?". The slide features several icons: a gear, a tree-like structure, a molecular model, and a hard hat. In the bottom left corner, there are logos for NPTEL and IIT Kharynpur. In the bottom right corner, there is text that reads "NPTEL Online Certification IIT Kharynpur". A man in a white shirt and red tie is visible in the bottom right corner of the slide, appearing to be the speaker.

If the business goals have been articulated properly, then the next thing that manager should find out is whether information technology is bringing in improvement to the right business processes and activities, to enable them, to promote or achieve their business strategy. And another important thing that they should try to find out is that whether the organization is using the right metrics to measure progress towards these goals.

Because many often, many a times, organizations they focus only towards performance measures which are related to achievement of financial objectives of the firm. But in order to achieve the strategic goals, other non financial measures need to be taken into consideration. Along with the financial indicators in a balanced manner and that gave rise to the concept of balanced scorecard which we will discuss in the subsequent module.

(Refer Slide Time: 24:24)



These are the references that I have used in preparing this particular module.

Thank you for your patience!