



THE INFLUENCE OF INCENTIVE POLICY ON BUSINESS-IT STRATEGIC ALIGNMENT

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Strategic alignment, Business and IT alignment, IT strategy, Incentive policy, Reward, Survey.

EXTENDED ABSTRACT

Introduction

Studies show that “Business and IT alignment” (BIA) issue remains a concern to most managers of IT (Information Technology), becoming even as the main concerns of those in 2008 (Luftman, Kempaiah & Rigoni 2009). Another related concern, also considered a top priority one, is the “strategic planning of IT”. The “alignment” of IT with the business is often associated with other terms like “linkage”, “integration”, “convergence”, “harmony”, “fusion”, “match”, “suitability” or “interconnection”, where each of these words can represent a perspective of what may be underlined about the relationship between these two areas in an organization. It is also recognized the complexity of obtaining the alignment, since there are various strategic components of alignment, eg, communications, partnerships, metrics in IT, government, human resources and technological scope. It is increasingly important that “organizations recognize that it is not how IT is aligned with the business, it is how IT and business are aligned with each other”. Also, organizations should understand that this issue goes well beyond the infrastructure of IT. Another two top management concerns are the attraction of new IT professionals and the retaining of these professionals. Luftman (2009) previous mentioned survey sorted these two as being the fourth and eighth most important concerns for the IT management of 2008. These concerns may be related to several reasons. One main factor which influentiates the attraction or retainment of IT professionals are associated with the incentives offered to each practitioner. Therefore, an adequate incentive policy may represent an important role in solving these two important concerns of IT managers.

Independently of other affecting factors, evidenced in previous important alignment models like the strategic alignment model (SAM) (Henderson & Venkatraman 1993), researcher wants to explore the importance of behaviour aspects within IT practitioners’ activity, so he builds upon reviews three important behaviour theories and relate them within this context: agency theory (Eisenhardt 1989), existence, relatedness and growth

theory (Alderfer 1969) and expectancy theory (Isaac, Zerbe & Pitt 2001). On the centre of increase organizational performance initiatives there is the problem of trying the alignment of the interests of the employer and the employee, usually known as the principal-agent problem. The agency problem starts when the wishes or goals of the principal (employer) and agent (employee) diverge and it is complex or expensive for the principal to confirm what the agent is really doing (Eisenhardt 1989). Schemes like commissions, bonus, short-term payment incentives like those based in individual performance, long-term payment incentives like stock options, or even other kind of rewards like insurances or welfare benefits are some of the different schemes that might be used to attempt the alignment of interests of the agent with those of the principal. The extension of rewards used by some organizations and practitioners may be very long and may be analyzed under a “total rewards strategy” framework (WorldatWork 2008).

Strategic alignment typically involves the communication of the high-level strategic objectives by the business managers to all employees in a way that everyone can understand, trying to create intrinsic motivation and inspiration to all so that each one help the organization's success (Kaplan & Norton 2004). Then, it is usually used extrinsic motivation, by setting targets at various levels, from personal to global. Strategy materialized in the form of a balanced scored card, is a tool, which should cascade up and down the organization, becoming available to everyone. As the high-level scorecard cascades down it is possible to tie strategic objectives to group objectives and then an individual performance and compensation system with “personal scorecards” (Kaplan & Norton 1996). These objectives should be aligned with the organizational strategy and associated to incentives / rewards to employees when objectives are achieved; either they are personal goals or departmental, business unit or enterprise ones.

Main research question and the proposed model

The main research question author wants to answer is: What is the influence of an incentive policy in the strategic alignment of information technology and business? This question means, first of all the research of eventual direct relation between these two constructs (incentive policy and strategic BIA). The introduction of



a total incentive policy encourages not only the work efficiency of each employee, their satisfaction and performance, but also the organizational behavior (WorldatWork 2008). The definition of a global incentive's strategy allows alignment of organization strategy with the individual strategy, including all aspects valued by employees in their working relationships. The researcher underlines the importance of defining a global incentive's policy is highlight, taking into account the achievement of a higher strategic alignment. The incentive policy should take into consideration individual objectives, including all aspects valued by employees in their working relationships.

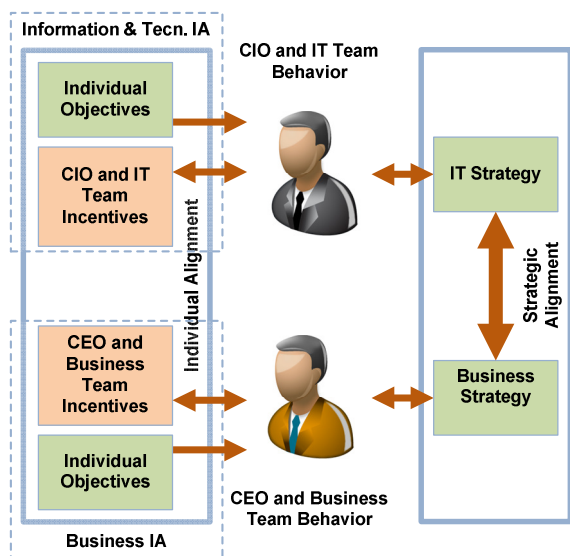


Figure 1. Proposed BIA model subset to research.

A strategic alignment model between IT and business is proposed based on the definition of an incentive policy. The researcher proposes the research of a component of this model to support his dissertation of his PhD Thesis in Information Systems and Technology (fig. 1). The intention is to study the relation between individual incentives/objectives, as input dimension and strategic alignment dimension as output. Individual incentives/objectives are composed by five areas, which are compensation, benefits, work-life, performance/recognition and development and career opportunities. Strategic alignment dimension is composed by six areas, which are maturity of communications, competency/value measurements, governance, partnership, technology scope and skills.

Further research and conclusions

Researcher enunciated hypotheses and defined the correspondent constructs/variables. A quantitative research approach is proposed, supported in a survey research method, with chosen sampling and analysis techniques. If the research work supports some significant relations between individual incentives and strategic alignment, researcher expects that this

knowledge can help organizations to improve strategic alignment between business and IT, namely by potentiating by acting upon an incentive policy that may include one or more of the following dimensions: more mature communications, better measures of competence and value, improved government, advanced partnerships, more mature technology or skills adequacy.

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