

Design Criteria for an Internal Information Technology Cost Allocation to Support Business Information Technology Alignment

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Abstract : The controlling instrument of an internal cost allocation (IT chargeback) is commonly used to make IT costs transparent and controllable. Information Technology (IT) became, especially for information industries, a central competitive factor. Consequently, the focus is not on minimizing IT costs but on the strategic aligned application of IT. Hence, an internal IT cost allocation should be designed to enhance the business-IT alignment (strategic alignment of IT) in order to support the effective application of IT from a company's point of view. To identify design criteria for an internal cost allocation to support business alignment a case study analysis at a typical medium-sized firm in information industry is performed. Documents, Key Performance Indicators, and cost accounting data over a period of 10 years are analyzed and interviews are performed. The derived design criteria are evaluated by 6 heads of IT departments from 6 different companies, which have an internal IT cost allocation at use. By applying these design criteria an internal cost allocation serves not only for cost controlling but also as an instrument in strategic IT management.

Keywords : accounting for IT services, Business IT Alignment, internal cost allocation, IT controlling, IT governance, strategic IT management

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