Improving Strategic Alignment: A Case Study

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ABSTRACT

This study aims at providing organizations with new insight on how IT governance practices impact strategic alignment. The research is conducted as an in-depth case study in a large, multinational manufacturing and service company. The case reveals that improving IT governance practices is not sufficient to achieve high alignment, when the understanding of strategic value of IT is lacking. Improved alignment would require that IT is perceived as a strategic function in the organization and the IT governance treated accordingly. Bringing business and IT socially and culturally closer to each other is also required, but improving alignment on the social and cultural dimensions is dependent on the existence of the strategic direction: achieving alignment is difficult without common objectives between business and IT people. In general, the study illustrates limited impact of IT governance practices on alignment without requisite strategic direction.

Keywords: Case Studies, Information Systems, IT Governance, Strategic Alignment

INTRODUCTION

The relationship between business and IT has been a persistent topic of discussion both in academia and among practitioners in the past decades. The business-IT alignment or strategic alignment is commonly viewed as a desired and important factor and driver of optimizing business performance. Strategic alignment has been consistently ranked among the top three concerns for IT executives (Luftman & Ben-Zvi, 2010; Luftman & Zadeh, 2011). The impact of alignment on business performance has been studied for several decades and empirical evidence suggests, that organizations with “high” degree of alignment are able to leverage new information technologies more innovatively, optimize their IT spending, and achieve competitive advantage (e.g. Bergeron et al. 2004; Johnson & Lederer, 2010; Luftman & Kempaiah, 2007; Luftman et al., 2010; Oh & Pinsonneault, 2007).

IT governance can be defined as the capacity of top management to control the formulation and implementation of the IT strategy via organizational structures and processes that produce

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desirable behaviors, which will ensure that IT initiatives sustain and extend the organization’s strategy and objectives (De Haes & Van Grembergen, 2004; Peterson, 2004; Weill, 2004; Weill & Ross, 2004). To ensure alignment with the organization’s strategy and goals, the role of IT governance is to establish decision rights and the accountability framework for IT investment decisions (Weill & Ross, 2004). IT governance is proposed as a key lever to guarantee better alignment between business and IT (e.g. Chan and Reich, 2007b; Dahlberg and Kivijärvi, 2006; De Haes and Van Grembergen, 2009; Peterson, 2004). Implementing IT governance requires structures, processes and relational mechanisms (De Haes and Van Grembergen, 2008, 2009; Peterson, 2004, Weill 2004).

The academic research of IT governance and strategic alignment has mostly focused on a theoretical level (De Haes & Van Grembergen, 2008). The lack of practice-oriented literature has motivated researchers to develop best practices for IT governance. These practices would help companies to implement IT governance on the enterprise level and achieve increased alignment (De Haes & Van Grembergen, 2008). However, the implementation of IT governance frameworks and practices does not imply that the IT is aligned and sustains the organization. It is important that management understands the relationship and impact of IT governance to alignment.

We conduct an in-depth case study to further explore the relationship between IT governance and strategic alignment in a large, multinational manufacturing and service corporation. The purpose of the study is to explore how IT governance practices impact strategic alignment in a case organization and increase understanding of underlying organizational factors. Our research question is: how IT governance practices contribute to the strategic alignment in the case organization?

The rest of the paper is organized as follows: first we discuss the theoretical base of our research. Then we describe our research design and case organization. After that we present the results and analyze them for further insights. Then we present our conclusions and we discuss the value of our research and present potential avenues for further research.

**THEORETICAL BACKGROUND**

In their extensive bibliographical study, Chan and Reich (2007a) summarize 150 different articles on strategic alignment, spanning three decades of research in the field. An extensive body of research on alignment spans a variety of topics such as the nature, dimensions and definitions of alignment and the antecedents, challenges, barriers and consequences of attaining alignment (Chan & Reich, 2007a). More recently, Parappallil et al. (2012) show that strategic alignment remains an active research topic and, confirmed by the constantly increasing number of articles, it is expected to stay on the research agenda for a long time.

The central theme in alignment literature is defining the business value of IT in terms of the relationship and congruence between the business and IT domains. Alignment is generally viewed from a strategic perspective, where functional integration at the strategic level represents the link between business and IT strategies, goals and plans. Achieving strategic alignment is a continuous effort to integrate the organization’s IT and business decision-making (Negoita & al., 2013).

In their seminar article, Henderson and Venkatraman (1993) propose an alignment framework, the Strategic Alignment Model (SAM) that is used widely in later literature. SAM takes into account four domains of strategic choice: business strategy, IT strategy, organizational infrastructure and processes, and IT infrastructure and processes. From the perspective of strategic management, the dimensions of strategic fit and functional integration to obtain strategic alignment are important and business and IT strategies need to be aligned with each other (ibid.).
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