Chapter V

Alignment Of Organizational Strategy With Information Technology Strategy

Introduction

Digital computers came into being after the Second World War. After a period of use solely in scientific and military areas, business perceived that this technological innovation could be very useful. The large, expensive equipment was very limited in terms of the information it could process and store, in addition to the restricted number of users who could access them simultaneously or from remote locations. Both the training and vision of professionals in the area of what was then called “data processing” was eminently technical. Thus, the early applications were developed to resolve well-structured problems, i.e., those whose stages and sequences were well-defined, such as payroll, stock control, and accounts due and received.

Technology evolved and by the end of the 1970s, there were a number of alternative uses for computers and basic applications had been installed in the large companies. At that point, specialists began discussing a way to use
Information Technology (IT), a term that came into use in the 1980s, better to make businesses more competitive. From that time on, many theories, models, and techniques have been studied and developed so that information technology can be used in tune with business strategies and operations.

IT progressively came to play an important role in the strategy of the leading companies in competitive markets.

Presently there are great expectations that IT applications will make possible new strategy alternatives for business and new opportunities for companies; as in the case of e-commerce and e-business (Porter, 2001; Evans & Wurster, 1999). However, there is also an extensive debate about the real gains derived from investments in IT. Focusing solely on the efficiency of IT applications will not provide a response to such questions. To evaluate the impact of IT on business strategy and operations, a focus on its effectiveness is needed. One must examine the results of IT applications in relation to the objectives, goals, and needs of an organization. Effectiveness should be maintained in the long run, and for this to happen, the concept of Strategic Alignment between IT and the business is fundamental.

The efficacious use of IT and the integration of IT strategy and business strategy extends beyond the concept of IT as a tool for productivity, which is often a factor critical to success. Today, the route to such success is no longer related just to the hardware and software employed, or even to development methodologies, but with the alignment of IT with the companies’ strategies, characteristics and organizational structure.

In the words of Rockart et al. (1996):

“In sum, the load on IT organizations is heavier than ever before, and the management of IT is more complex.”

Therefore, this approach is the subject of the present chapter, which aims at elucidating the main points that transform IT into a real tool for the competitiveness of organizations’ business strategies.
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