Chapter I

Introduction to Strategic Alignment

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The concept of strategic alignment is more than two decades old (McLean and Soden, 1977; IBM, 1981; Earl, 1983; Mills, 1986; Brancheau and Wetherbe, 1987; Parker and Benson, 1988; Henderson and Venkatraman, 1990; Dixon and John, 1991; Niederman, et al., 1991; Watson and Brancheau, 1991; Liebs, 1992; Luftman, Lewis and Oldach, 1993; Goff, 1993), however it has never been more timely than in today’s fast-paced, dynamic business environment (Papp, 1998; Rogers, 1997). The original alignment model was a largely theoretical construct that studied only a single industry (Henderson & Venkatraman, 1990; Henderson & Thomas, 1992) but has since been adapted for use by virtually any industry looking to integrate their business strategies with their information technology strategies (Papp, 1995; Luftman, Papp, & Brier, 1995).

THE STRATEGIC ALIGNMENT MODEL

The Strategic Alignment Model is composed of four domains or quadrants. Each of the four quadrants is composed of three components, forming a triad, which can be used to operationally define the quadrants as shown in Figure 1. It is these 12 components, working in harmony, which can be used to determine the extent and type of alignment within a corporation.

Business Strategy

The upper left-hand quadrant is the traditional business strategy domain. It consists of three components: business scope, distinctive competencies, and business governance. Business scope, also known as market scope, focuses on the type of business the organization is engaged in, the products and/or services it offers, market segmentation (geography, diversification, customers), competition, and the values and mission of the organization. Distinctive competencies include the areas in which the company excels—its distinguishing strengths. These competen-
cies determine the extent to which the firm will be able to compete with the rest of the market, the decision of customers to buy from that firm, and the ability to differentiate its products and/or services from its competition. Also included are the critical success factors necessary to achieve these competencies. Examples would include a customer satisfaction strategy, service, pricing or quality focus, or the creation of a first-rate marketing channel. The third component, business governance, focuses on ownership. It specifically looks at the establishment of business alliances and partnerships with other firms, government regulations and their effect, as well as outsourcing strategies.

**Organization Infrastructure**

The lower left-hand quadrant is the organizational infrastructure domain. The components in this quadrant are administrative structure, processes, and skills. Administrative structure consists of the authority structure, responsibilities, and roles within the organization. It specifically addresses the number of levels of management (i.e. the organizational structure), the extent to which decision-making is centralized or decentralized, and the geographical orientation of the firm. Business processes are those activities that drive the business. They determine the extent to which work flows can be integrated with respect to information technology. Improvements to business processes can be the result of information technology, or new processes may be designed to incorporate emerging information technology. Business skills, the third component, focus on the human resources of the firm. Specifically, it concentrates on the training and experience of employees, the creation of a corporate culture, opportunities for outsourcing, or the development of new skills.

*Figure 1: Strategic Alignment Model*