Chapter III

Alignment Through Cross-Functional Integration

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ABSTRACT

The strategic alignment model presented in the first chapter of this book clearly identifies cross-functional integration as a critical dimension of IT alignment. This chapter focuses on the assessment and improvement of functional integration and presents a model for understanding how cross-functional integration between IT and other functional areas leads to more effective IT alignment at the functional level. By moving to higher levels in this “integration hierarchy” model, organizations can expect to achieve a higher degree of IT alignment. To provide context, the chapter presents the integration hierarchy model by focusing on the marketing and IT units. This cross-functional interface is a particularly important area for IT alignment given the environmental demand for effective e-commerce and data warehousing solutions. However, as later sections of this chapter will discuss, there are implications for the model for both practitioners and researchers beyond the marketing and IT interface.

Insights into why some organizations are better than others at making effective use of information technology (IT) to support business units will help us better understand the processes for achieving IT alignment. A key factor that affects the alignment of IT resources to an organization’s business needs is the integration of the IT unit with the rest of the organization. Integration is “the quality of the state of collaboration that exists among departments that are required to achieve unity of effort by the demands of the environment” (Lawrence & Lorsch 1967:11). Also termed “cross-functional integration,” how to successfully manage the interface between IT and business units is not particularly well understood. Therefore, new insights and models that help managers and researchers better understand this
interface will improve the firm’s ability to achieve more effective IT alignment.

For years, many firms have maintained functional boundaries (e.g., marketing, finance, operations, etc.). However, there is substantial evidence that cross-functional integration improves goal achievement (Sashittal and Wilemon 1994), innovation success (Sashittal and Wilemon, 1994; Hitt, Hoskisson, and Nixon, 1993; Rothwell and Whiston, 1990; Gupta, Raj and Wilemon, 1986), information system success (Sabherwal, 1999), and organizational performance (Slater and Narver, 1994; Rockart and Short, 1989). More importantly, it can also improve the speed of response to environmental change (Rockart and Short, 1989), a critical issue for today’s organizations. This chapter provides a hierarchical framework for understanding and assessing the state of cross-functional integration between IT and other units in an organization. By moving to higher levels in this “integration hierarchy” model, organizations can expect to achieve a higher degree of IT alignment.

Henderson and Venkatraman’s (1990) strategic alignment model clearly identifies functional integration between business and IT as a critical linkage for IT alignment. This chapter focuses on functional integration and provides a model for assessing and eventually improving the state of integration between IT and other business units. To provide context, the model focuses on the integration of marketing and IT as two units where improved IT alignment will benefit the firm. Effective alignment between marketing and IT is particularly important at this time as the success of e-commerce, data warehousing, and other emerging applications require both marketing and IT to work more closely together to define and execute both business strategy and IT infrastructure. However, as later sections of this chapter will discuss, there are implications for the model for both practitioners and researchers beyond the marketing and IT interface.

THE LINK BETWEEN INTEGRATION AND IT ALIGNMENT

Woolfe (1993) identified four stages in the alignment process where IT can provide value to the business. These stages are: 1) functional automation, 2) cross-functional integration, 3) process automation, and 4) process transformation. He argues that strategic IT alignment really occurs only after the fourth stage. The first two stages focus primarily on improving efficiency, while the latter two concentrate on changing the way work is done. Woolfe (1993: 21) summarizes the role of cross-functional integration in the alignment process as follows:

Integration involves coordinating the development of creative business uses for IT to support business processes that transcend the boundaries of business units. Information services integration can save money by encouraging a common approach, but more important, it contributes to corporate added value by exploiting synergies that exists between business units.

Woolfe (1993) details the difficulties of aligning the information services function with the business at each stage, in particular, that cross-functional integra-
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