

# Chapter 11

## Aligning Strategy and Information Technology

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### ABSTRACT

*The purpose of this chapter is to provide the reader with high-level insights into the complexities of aligning strategy and Information Technology (IT) by reviewing core areas of the extant strategic alignment literature. Strategic alignment has proven to be a perennial issue for organizations and management teams alike for more than three decades now. In some quarters, the actual meaning of the concept is ambiguous, and the chapter aims to provide a clear understanding of what strategic alignment fully means and involves. The chapter addresses the origins of the construct and elicits many of the known reasons that describe the inherent challenges from a practical management point-of-view. Insights into various perspectives are shared based on past empirical studies. Given that strategic alignment is embedded with the very essence of strategy, insights into context, content, and process as they relate to this important IT management domain are presented.*

### INTRODUCTION

This review of the strategic alignment construct undertook a five-dimensional approach in terms of the literature selected to prepare the chapter. *First*, a sample of empirical IT management articles was selected. *Second*, the topical theme of strategic alignment enjoys good coverage from various organization and management studies (e.g. Harvard Business Review, California Management Review) and relevant articles were reviewed

under this code. *Third*, in-keeping with the need to consider practical relevance as shared by IT practitioners, the view was taken that sound practitioner advice embedded with factual evidence will stand the chapter in good order. *Fourth*, additional insights were collected from sources such as the Center for Information Systems Research (CISR), and the Center for Digital Business, both located at the Massachusetts Institute of Technology (MIT) Sloan School of Management. *Finally*, central to the review were high-level conceptual articles

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contributed by well-established IT management scholars. The insights shared are largely based on the collection and analysis of empirical data on aligning strategy and IT in small-medium enterprises (SMEs), multi-national corporations, and public administration organizations and agencies (federal, state, semi-state, local, not-for-profit etc.).

Strategic alignment continues to challenge many organizations and management teams today and can be described as a pervasive IT management challenge (Luftman & Derksen, 2012). It is considered to be a perennial concern given that it has proved to be a top management issue for more than three decades. Such long-standing management challenges are described to be as difficult as surveying sand dunes in the Sahara (Luftman, 2003) given the continuous and fast-paced nature of IT innovation matched by turbulent economic cycles and globalized business environments. Despite much greater time, energy, and resources afforded by Chief Information Officers (CIO) than ever before to aligning strategy and IT, few believe that their efforts are paying off i.e. below 20% (Lochan & Shah, 2010). Only 15% of large corporate organizations can describe the role of IT in support of the strategic agenda as being well-oiled leading to IT-enabled growth and / or performance benefits with the remaining 85% categorized as being either in the “maintenance zone” or “alignment trap” (Shpilberg, Berez, Puryear & Shah, 2007). Strategic alignment is about the IT function, and business lines and functions, and the respective management teams, working together to leverage identifiable opportunities to maximize and generate real business value from IT investments. However, demonstrable success is seldom evident or forthcoming for many organizations. One of the reasons for why it is difficult to demonstrate performance improvements is that IT-enabled benefits are of a tangible and intangible form and not always easy to measure.

A good deal of ambiguity exists about the meaning of strategic alignment and a concise definition of the construct is provided based on

past empirical underpinnings. An overview of the background to the strategic alignment construct in terms of how it first emerged is presented. Strategic alignment forms a core part of the IT management domain whereby the focus is on the formation of strategy and aligning IT development with business goals and objectives (Avgerou, 2000). Strategic alignment is persistently ranked as the top key issue for IT management among senior IT executives and corporate business leaders. Reasons to explain the nature of the different but inherent challenges associated with its dynamic character are discussed.

The core section of the chapter deals with the main features of strategic alignment. This begins with some insight into the evolution of the construct; how it came about and progressed to its current state today. It's critical to understand why realizing a match between strategy and IT is of great organizational importance and this is explained further. A good deal of empirical research over time has inquired into strategic alignment perspectives and some of these are presented even though the findings can sometimes sound contradictory or even derogatory at times, but they help to shed light on the nature of the complex domain. The field of strategy is distinguishable by core dimensions, none less so than the management framework of context, content and process. This particular strategy management framework is selected to provide insight into the multi-dimensional nature of strategy and IT alignment. Finally, some suggestions for future research based on identifiable research gaps from the extant literature pertaining to the construct are noted. The chapter closes with concluding remarks.

Overall, the main objective of the chapter is to provide the reader with a high-level overview of the strategic alignment subject area. It aims to do this by providing deep insights into the origins of this particular IT management domain. It then deepens the readers' understanding by delving into some of the challenges and known complexities embedded in realizing strategic alignment from

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