

The Impact of IT Governance Practices on Strategic Alignment

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ABSTRACT

The importance of strategic alignment has been recognized both by academia and practitioners alike. Previous research provides an ample body of work both on IT governance and strategic alignment. However, empirical evidence of the effect of IT governance on alignment is still lacking. This study explores how IT governance impacts strategic alignment on strategic and tactical levels. Based on a survey, the study confirms a positive impact of IT governance on strategic alignment and proposes a preliminary set of eight key practices of IT governance to support strategic alignment with further scrutiny of different industries, regions, and larger sample sizes.

Keywords: Common Method Variance, Information Technology, IT Governance, SAMM, Strategic Alignment

INTRODUCTION

In the last decades, the role of information technology (IT) within organizations has become crucial in supporting, sustaining and enabling business models. As El Sawy (2003) notes, IT has evolved from “a tool used by people to help them in their work” to being “fused with the business environment such that (IT and business) are indistinguishable to our perception and form a unified fabric.”

One of the key elements in optimizing business performance is to ensure that IT sustains and extends the organization’s strategy and business goals. Henderson and Venkatraman (1993) suggest that, to fully leverage IT, business and IT competencies should be integrated and aligned. This business–IT alignment, or strategic alignment, has been consistently ranked among the top three concerns of IT executives (Kappelman et al., 2013; Luftman & al., 2012).

The literature suggests that strategic alignment is an important antecedent of IT business performance and that highly aligned organizations are able to leverage IT more innovatively, to optimize their IT investments and spending, and to achieve competitive advantage through IT (e.g. Avison et al. 2004; Henderson & Venkatraman, 1993; Luftman & Kempaiah, 2007; Luftman et al. 2010).

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Saat et al. (2011) note that research on strategic alignment can take a descriptive or prescriptive perspective: the descriptive perspective focuses on understanding the strategic alignment phenomenon, and the prescriptive perspective examines artifacts that enhance or extend strategic alignment. In this paper, we follow the latter perspective, as our research is prescriptive and explanatory in nature. As Chan and Reich (2007b) state, it is important to understand the relationship and contribution of different antecedents of alignment. The contribution of this paper is therefore to understand how sets of previously identified IT governance practices contribute to strategic alignment and to explore the underlying factors that affect alignment. The aim is to contribute to new theory building in the IT governance domain and to assist practitioners by providing guidance on how effective IT governance practices are in achieving strategic alignment.

The rest of the paper is organized as follows: first, we discuss the theoretical basis of our research. Then, we describe our research methodology and summarize the data collected. After that, we present our analysis, findings, and their validation. Finally, we discuss the value of our results and present potential avenues for further research.

STRATEGIC ALIGNMENT AND IT GOVERNANCE

Strategic alignment has been a topic of interest both in academia and among practitioners in past decades (Chan & Reich, 2007a; Kaidalova & Seigerroth, 2012; Kappelman et al., 2013; Luftman & al., 2012).

Alignment occurs at multiple levels in the organization (Chan & Reich, 2007b). Alignment at the strategic level is needed for identifying applications that are important in supporting and enabling business strategies, while alignment at the tactical level is necessary for facilitating linkages between IT and the functions in implementations, technology choices, resource allocations, and skills (Tarafdar & Grunfleh, 2009).

The strategic alignment model (SAM) by Henderson and Venkatraman (1993) has become a widely accepted model in alignment research. Based on SAM, Luftman (2000) proposes strategic alignment maturity model (SAMM) to measure alignment along six criteria: communications, competency/value measurements, governance, partnership, scope and architecture, and skills. SAMM has been widely used as an empirical assessment tool (Cumps et al., 2006; De Haes & Van Grembergen, 2009; Luftman, 2000; Luftman & Kempaiah, 2007; Sledgianowski et al., 2006).

IT governance creates structures around how an organization's IT strategy aligns with business strategy, ensuring that organizations continue to achieve their goals (Prasad et al., 2012). The importance of IT governance in achieving strategic alignment has been well established in previous studies (e.g. Dahlberg & Kivijärvi, 2006; De Haes & Van Grembergen, 2009; Huang et al., 2010; Prasad et al., 2012; Wu et al., 2015). Despite the amount of work on IT governance and alignment, empirical studies on the impact of IT governance on alignment are still scarce (e.g., Coltman et al., 2015; Wu et al., 2015). Furthermore, the changing business environment calls for a better understanding on the relationship between IT governance and alignment (e.g. Bartens et al., 2014).

Implementing IT governance requires structures, processes and relational mechanisms to be efficient on the practical level (Peterson, 2004; De Haes & Van Grembergen, 2008, 2009; Van Grembergen et al., 2004). IT governance structures include "structural (formal) devices and mechanisms for connecting and enabling horizontal, or liaison, contacts between business and IT management (decision-making)" (Peterson, 2004). IT governance processes refer to "formalization and institutionalization of strategic IT decision-making or IT monitoring procedures" (ibid.). The

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