Harmonizing IT and Business Strategies

Kevin Johnston
University of Cape Town, South Africa

INTRODUCTION

The alignment of business strategy with IT strategy has been a concern of chief information officers (CIOs) (Berkman, 2000; Croteau & Bergeron, 2001; Crowley, 2001), chief executive officers (CEOs) (Armstrong, Chamberlain, Moore & Hart, 2002; Mesoy, 1999), academic researchers (Henderson & Venkatraman, 1999; Reich & Benbasat, 2000; Tallon & Kraemer, 2000), and research companies (Broadbent, 2000; Croteau & Bergeron, 2001; Meta Group, 2001) since the age of vacuum tubes. In surveys (Mesoy, 1999) of CIO concerns, alignment has consistently been rated as a major issue. A Cutter study reported that business-IT alignment was "the number one problem facing IT" (Crowley, 2001).

Many authors (Burgleman, Maidique & Wheelwright, 2001; Croteau & Bergeron, 2001; Hartman, Sifonis, & Kador, 2000; Reich & Benbasat, 2000) agree that it is important to align IT strategy with the organization's business strategy. Although the importance of strategic alignment of IT is acknowledged and widely accepted, it remains an issue within many organizations (Armstrong et al., 2002).

Burgleman et al. (2001) stated, "Technological issues only occasionally are included explicitly in typical corporate strategy reviews, and only rarely are they among the regular inputs to corporate planning and development." Gates (1999) wrote: "It is impossible to align IT strategy with business strategy if the CIO is out of the business loop."

Management's attitude towards IT and IT strategy need to be changed (Cosgrove Ware, 2001). A "model of attitude change", described by Nash, Gwilt, Ludwig, and Shaw (2001), listed five steps to affect attitude change:

- Attention and awareness - subject managers to advertising, publications, and word of mouth about IT;
- Comprehension and knowledge - teach managers about IT and its uses;
- Yielding - managers try IT;
- Use of IT - managers use IT; and finally,
- Reinvention - where IT is improved or its use is varied for maximum benefit.

The lack of IT alignment with business can result in late market entry, lost market opportunities, or an unsustainable market advantage (Conarty, 1998).

Some (Bocij, Chaffey, Greasley & Hickie, 1999) view IT strategy and business strategy as two distinct strategies, with IT strategy either supporting or influencing business strategy. Other authors, such as Pukszta (1999), stress that IT strategy must be completely and seamlessly integrated with business strategy at all organizational levels.

IT and business strategies should not be aligned but should, in fact, be one harmonious strategy. IT strategy has to lose its distinctness; in this way, it will gain prominence and exert greater influence within organizations (Pukszta, 1999). Each organization should have a single harmonized strategy.

IT planning should be in harmony, not merely aligned with business strategy.

BACKGROUND

Organizations need to recognize changing business climates, fluctuating resources, and the need to expand or grow (Heske, 2001). Organizations that plan and then move in the right direction at the right time survive. All factors including IT have to be considered and taken into account holistically.

Key tasks of managers within an organization are to acquire, develop and allocate organizations' resources, and to develop and exploit the organizations' capacity for innovation (Burgleman et al., 2001). The acquisition, development, allocation and exploitation of IT should be part of any business strategy. Many new products and services such as online banking have been based on IT (Laudon & Laudon, 2002). IT can contribute to the overall performance of the organization by tying operations of various business units together harmoniously so the organization can act as whole (Laudon & Laudon, 2002). This could lower costs, increase customer access, and speed up the marketing process of new products and services. It is unlikely that these contributions and possible innovations will occur by chance; they need to be planned.

Tallon and Kraemer (2000) found that organizations with focused IT goals achieved higher payoffs from IT. Their results indicated that unfocused organizations achieved consistently lower payoffs at each point along the value chain than focused organizations.

Linear planning is useless; organizations must plan holistically (Hartman et al., 2000) or harmoniously in order to survive.

WHERE, WHY, WHAT, HOW?

Where should an organization do business ": locally, nationally or internationally? Organizations should be thinking in terms of where it makes good business sense and where the organization will survive. A vision of where the organization is going needs to be developed and communicated, and everyone in the organization needs to understand the vision and implement it (Rollins, Bognanno & Lockwood, n.d.).

A business strategy needs to be defined, including all the capabilities (forces/tools/resources) of an organization, so that approved plans may be executed as effectively as possible (Henderson & Venkatraman, 1999). Strategy articulates ways in which opportunities can be exploited using the organizations' capabilities (Burgleman et al., 2001). Strategy without capabilities is meaningless (Burgleman et al., 2001), and excluding the IT capability from the organization's strategy renders the strategy less effective at best. Similarly, having capabilities without strategy makes them aimless (Burgleman et al., 2001).

The IT strategy and capability must, therefore, be part of the overall strategy, or IT will become an aimless capability of the organization and, at best, will be run according to the CIO's aims. Managing the IT resource is a basic business function (Burgleman et al., 2001), which should be the responsibility of all managers within an organization.

Organizations plan in order to anticipate change beyond the control of the organization, so changes within the organization (such as changes to business processes and organizational structure) can be initiated and controlled (Ivancevich & Matteson, 1999).

A number of elements must fit together in a balanced way in order for an organization to function effectively. Sawy (2001) uses the Leavitt Diamond framework to illustrate the balance. This framework has four sets of organizational variables: IT use, organizational form, people skills, and business processes. When any one of these is changed, the other three need to be adjusted to maintain "functional harmony" (Sawy, 2001).

Ward and Peppard (2002) suggest guidelines to align business and IT strategies. They state that, at the very least, the following four domains need to be aligned: business strategy, organizational infrastructure, IT strategy, and finally, IT infrastructure. The business strategy should decide where the business is headed and why, what the businesses competitive advantages are, as well as how the business will be governed. The organizational infrastructure and business processes need to be designed to support the business strategy. The IT strategy should decide what IT is important and required by the business, and how it will used and managed or governed. The IT infrastructure details how IT can be delivered •the architecture, processes and skills required. Strategy needs to be formulated concurrently in all four of these domains (Ward & Peppard, 2002).

Organizations need to define exactly where they are going, why they wish to go there, what resources they will use to get there, and how they will utilize those resources.. Management needs to ensure that all stakeholders are aware of the plan.

STRUCTURE

Organizations need to decide on internal structures that support the plan. Structure and order are necessary for the survival of the organization.

"A gap has developed between the power and choice enjoyed by individuals as consumers and citizens on the one hand, and that available to them in the workspace on the other" (Chowdhury, 2000). This gap has to be reduced. Employees will have to be included in decisions regarding the structure of organizations.

Organizational design and structure have always been important factors that influence the behavior of groups and individuals. It is through structure that management establishes expectations of achievements for individual employees and departments, and decides how the organization's strategy is to be accomplished. The purpose of structure is to regulate, or reduce, uncertainty in the behavior of employees (Ivancevich & Matteson, 1999). Where and how IT is placed in the organizational structure determine the role and influence of IT.

Each organization requires a structure, and when that is ignored, the organization will not be able to crawl, much less fly! No organization will last if everyone acts independently; a structure needs to be developed preferably with the employees who will support the strategy and vision of the organization.

Employees cannot survive alone within an organization; they need to be in some sort of formation. Organizations only "fly" when all the employees are in formation.

Organizations need tradition, ritual, and structure to retain their identity. A department in which the author

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