

Chapter 3

Linking the Strategic Importance of ICT with Investment in Business–ICT Alignment: An Explorative Framework

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ABSTRACT

In this article, we introduce a framework that can be used by organizations as a positioning instrument to think of business-ICT alignment decisions in light of the strategic importance of ICT (Information and Communication Technology) in their organization. We make a distinction between organizations where ICT is of high strategic importance and those where ICT is of low strategic importance. Based on this difference we argue that heavily investing in business-ICT alignment processes, structures and roles (PSRs) will not necessarily always be beneficial when ICT is of low strategic importance to the business. Furthermore, organizations that have a minimalist approach to the use of ICT do not necessarily need to invest in business-ICT alignment PSRs. We explain the dynamics and possible migration scenarios of our proposed framework after testing the statistical significance of the relationship between the strategic importance of ICT and the investment in business-ICT alignment. We end this article with a short empirical study which combines survey and case study results. Both the framework and framework dynamics still need further empirical validation, preferably with longitudinal data. Therefore, we stress and acknowledge that many of the discussions in this article are still explorative in nature. However, this article illustrates the possibilities and the need for a more fine-grained approach to business-ICT alignment.

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INTRODUCTION

Business-ICT alignment literature has demonstrated that alignment does not always have the desired beneficial impact on organizations. One study (Sabherwal & Chan, 2001) showed that organizations who focus on stability, operational efficiency and economies of scale (defender business strategies) do not necessarily obtain business success from investment in alignment. Typically, these organizations rarely search outside their domain for new business opportunities and they prefer to make few innovative adjustments to the technologies they use. The study concludes that the importance of business-ICT alignment may not be as universal as previously believed. Furthermore, Cumps et al. (2006) discovered that the role of ICT in organizations significantly impacts business-ICT alignment. Organizations that choose a *conservative* role for ICT and focus on proven, stable, standardized and mature technologies are on average much less aligned than organizations that choose an *essential* or *innovative* role for their ICT. These findings from literature lead us to believe that there is a need to explain why in some instances alignment is more crucial and more beneficial than in others. The framework we introduce in this article has 2 goals: to offer a possible explanation to the abovementioned problem and to offer organizations a positioning instrument to make better, more fine-grained business-ICT alignment decisions.

This article builds on 2 types of data: results from a European survey of which we use the results of the financial organizations and results from a more in-depth case study of a major Belgian financial institution which we benchmark against our survey sample. The results from the survey are used to build our framework and to benchmark the results from our case study.

THE ALIGNMENT INVESTMENT DYNAMICS FRAMEWORK

In this section we introduce a framework that makes a contribution to solving the following problem. We argue that organizations with defender business strategies and organizations that choose a conservative role for their ICT have one thing in common: the strategic importance of ICT for their organization is rather low. Therefore, in our proposed framework we look at 2 dimensions: strategic importance of ICT (high or low) and investment in business-ICT alignment (high or low).

We make this argument based on Sabherwal and Chan's (2001) empirical work in which they have a similar approach: they tie defender business strategies to ICT for efficiency and operational support i.e. low strategic importance for the business. We also rely on McFarlan and McKenney's (1983) work to argue that organizations for which the strategic importance of ICT is low, typically see ICT as support or factory automation, with little impact on their business model: ICT is important for the support of operations and mostly used for efficiency improvements. Both Benson et al. (2004) and Weill and Broadbent (1998) argue that for this type of organizations the ICT portfolio is dominated by *support, maintenance, legal and board mandated* ICT spending with only a small fraction of *strategic* ICT investments. On the other hand, organizations for which the strategic importance of ICT is high, typically see ICT as a way to shape their business activities and influence their business model. ICT is crucial for the organization's value creation and is used to adapt the existing business to new business opportunities (Earl, 1989). This is reflected in an ICT portfolio with a larger part of strategic ICT investments that have a potential to impact competitive performance and a relatively smaller portion of maintenance, support, legal and board mandated ICT spending. Figure 1 gives an overview of the framework when we combine both dimensions: strategic importance of ICT (high or

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