Chapter 5.4
Strategic Fit in the Healthcare IDS

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INTRODUCTION

Interorganizational networks are defined as "clusters of organizations that make decisions jointly and integrate their efforts to produce a product or service" (Alter & Hage, 1993, p.2) and "advanced organizational structures perceived to improve efficiency, flexibility, and innovativeness and described as decoupled units developed because of rapid growth or knowledge and technology" (Schumaker, 2002). The healthcare integrated delivery system (IDS) is a distinct example of an interorganizational network. Defined as networks of healthcare organizations linked for the goals of clinical integration and an effective patient care continuum (Deluca & Enmark, 2002; Kilbridge, 1998; Young & McCarthy, 1999; Zucherman, Kaluzny, & Ricketts, 1995), IDSs may assume various organizational forms; namely, strategic alliances, contracted networks, or joint ventures, and may be comprised of multiple forms within a single network (Page, 2003). Also of interest is the distinction of the IDS as a lateral network of stakeholders, all directly serving the patient. This study uses the healthcare IDS to test a model of strategic fit and to examine differences in the nature and strength of the strategic fit to performance relationship across two distinct levels of IDS development.

The conceptual model (Figure 1) is tested using data from HIMSS Analytics and the American Hospital Directory for 130 US IDSs. The IDSs are categorized into two levels of development, High Integration Aligned (HIA) and Low Integration Aligned (LIA), based on the alignment of IT integration/sophistication and organizational maturity. The relationship between strategic fit and IDS financial and quality performance is tested with comparisons made between the two groups.

BACKGROUND

Strategic Fit

Henderson and Venkatraman (1993), in the strategic alignment model, defined strategic fit as a process of adaptation in which organizational changes must be supported by complimentary IT resources and integration. Similarly, Chan and Huff (1993) defined strategic fit as "the fit between business strategy and IS strategy" (p. 345). We adapt these definitions to define strategic fit as the point of equilibrium at which the level of interorganizational network structure and maturity is properly aligned with a complementary level of IT integration and sophistication.

Venkatraman (1994) developed the IT-Enabled Business Transformation Framework as an extension to the strategic alignment model, positing that IT is no longer simply an operational support resource, but rather a strategic tool with which to transform the firm's organizational structure and

Figure 1. Conceptual model of strategic fit for the interorganizational network

processes. He further proposed that IT's strategic role emerges more readily as firms establish strategic alliances and partnerships, as is the case with interorganizational networks. In advanced stages of organizational development, the need for and benefits from strategic fit should increase as interorganizational networks expand into more complex structures (Venkatraman, 1994). Yet little empirical evidence exists to support these suggestions. Much research around IT value and strategic fit has been conducted at the firm level (Bergeron, Raymond, & Rivard, 2001; Chan, Huff, Barclay, & Copeland, 1997), but research at the interorganizational network level is rare (Straub, Rai, & Klein, 2004).

Some researchers have examined the differences in firm performance between organizations at various levels of strategic fit. Zajac, Kraatz, and Bresser (2000) demonstrated significant positive links between strategic fit and ROA in savings and loan organizations that achieved advanced levels of strategic fit. These authors empirically supported the argument that organizations responding in a timely manner to needed strategy changes and achieving fit at this new level of development will realize greater benefits than those that do not.

Similarly, Bergeron, et al. (2001) found that small enterprises with a high level of strategic fit realized improved financial performance. These authors examined strategic fit through different lenses—profile deviation, moderation, matching, and other perspectives—to measure the performance impacts of fit. The results suggested that those organizations that pursue a highly strategic organizational and IT strategy tend to outperform organizations that fail to reach these higher levels. Thus, these past studies support the idea of a difference in the strategic fit to performance relationship, depending upon the achieved level of IT integration and organizational structure. More specifically, these studies suggest that performance improvements should be more apparent among highly integrated mature organizations that have achieved strategic fit.
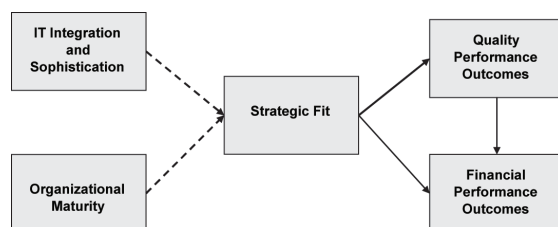
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