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A comparison of the views of business and IT management on success factors for strategic alignment

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Abstract

This paper reports on a study to determine whether there are any significant differences in perspectives of IT and business managers on what factors contribute to successful strategic alignment using Henderson and Venkatraman's strategic alignment model as its framework. A general survey was undertaken over a range of industries and results indicated that the two perspectives were largely equivalent, except for their overall perception of the factors that contributed to success in strategic alignment. However, detailed case studies on container terminal operators showed very different patterns; this suggested that successful alignment of IT in industries which are highly IT-dependent would require very different perspectives of both IT and business managers although these are still convergent within the organisation. © 2000 Elsevier Science B.V. All rights reserved.

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1. Introduction

The complexities of achieving business success through increased efficiency, effectiveness, and competitiveness, combined with innovative applications of IT, has heightened the awareness of both IT and business managers towards more strategically oriented approaches for planning and management [10,15]. In particular the need to align business and IT planning has been emphasised as both critically important and increasingly problematic [1–3,11]. This paper reports

on a study to determine significant differences in perspectives of IT and business managers in assessing strategic alignment with business goals. The study uses the Henderson and Venkatraman [8,9] strategic alignment model. The study ranged over several industries and indicated that the management perspectives were largely equivalent. However, significant differences were found between industries. The conclusion of this analysis is that strategic alignment varies primarily in relation to the nature of industry and/or its dependence on IT.

2. Strategic alignment model

The Henderson and Venkatraman Strategic Alignment Model implies that effective and efficient

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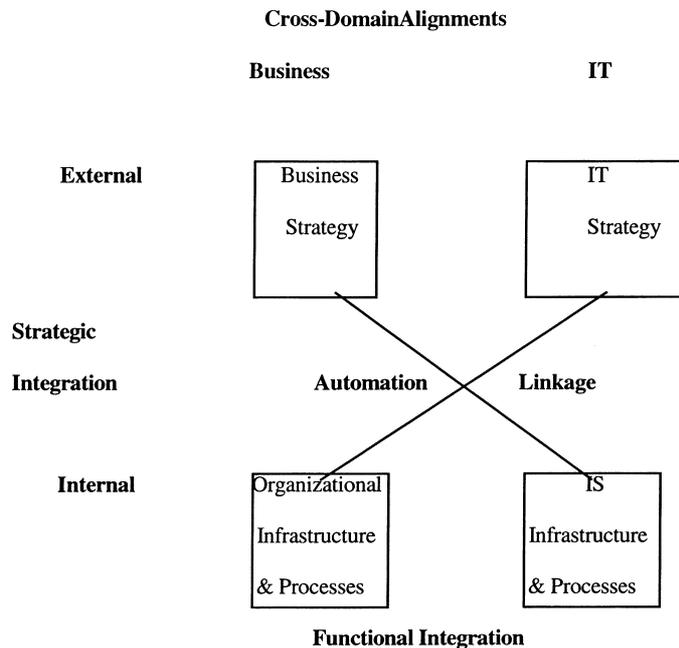


Fig. 1. Strategic alignment model (adapted from Henderson and Venkatraman, 1993).

utilisation of IT requires the alignment of IT and business strategies. This reflects the view that business success depends on the linkage of business strategy, IT strategy, organizational infrastructure and processes, and IT infrastructure and processes. Fig. 1 shows the model. It has two building blocks. Strategic integration recognizes the need for any strategy to address both external and internal domains. This emphasizes the need to make choices that position the enterprise in an external marketplace and decide how to structure internal factors to execute a market-positioning strategy. These choices are the business strategy, and the organizational infrastructure and processes. Performance of the enterprise is defined by the extent to which these two strategies are consistent. Using IT to enhance these choices provides the opportunity for strategic advantage.

Functional integration, or cross-domain alignment, on the other hand, refers to the fit between external positioning and the internal domain. As business strategies change, IT strategies and processes must keep pace. It is in such situations that different functional relationships are defined. Effective positioning of the firm in the technology market is crucial to its

ability to adapt and effectively leverage technology. Functional integration gives IT the opportunity to provide competitive advantage [14,15].

This research study assumes that effective alignment of IT and business strategies can be attained by means of strategic information systems planning (SISP). Thus, the study attempts to identify factors that contribute to successful alignment. By coordinating the objectives and views of IT and business managers, it is assumed that companies can outperform those without such alignment. Table 1 shows the four perspectives of the model and the associated performance criteria. Using these, one can identify the factors that should be considered by management in accomplishing effective strategic alignment of IT and business strategies. This has been extensively evaluated by Chan and Huff [5] to provide guidance to managers.

3. Methodological considerations

The study involved a two-stage investigation. The first was based on a survey that attempted to identify

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