Organizational Structure's Influence on Business-IT Alignment:
Looking Back to Look Forward

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ABSTRACT

Despite the long list of cumulative research, business-IT alignment remains to be evasive for practitioners and researchers. As organizations continue to spend a significant amount of their resources on IT to improve the variety and quality of services, achieving and maintaining business-IT alignment is a timely issue. Studies indicate that organizational structure, among other factors, plays an important role on whether organizations succeed in achieving business-IT alignment. A systematic literature review is conducted to provide an overview of previous studies as well as point out possible future research directions. A total of 31 articles were identified and included in the review. The findings indicate that there are few studies poised to address the lack of knowledge on how the formal/informal organizational structure's influence on business-IT alignment. The study presents a summary of previous findings on organizational structure's influence on business-IT alignment and identifies potential future research directions.

KEYWORDS

Business-IT Alignment, Formal Organization Structure, Informal Organization Structure, Literature Review, Organizational Structure

INTRODUCTION

Business-IT alignment, which refers to "applying Information Technology (IT) in an appropriate and timely way, in harmony with business strategies, goals and needs" (Luftman, 2000, p. 3), remains to be one of the evasive issues for both practitioners as well as researchers in the information systems research domain. The continuous attention rendered to business-IT alignment by scholars since the mid-1980s is justified given the empirical evidence that established the strong relationships between business-IT alignment and overall organizational performance (Benbya & McKelvey, 2006; Chan & Reich, 2007; Gerow et al., 2014). Surveys carried out among IT executives in different countries across industries have also revealed that business-IT alignment was consistently ranked at the top of the list of concerns for many years in a row (Kappelman et al., 2018).

Poor business-IT alignment has been observed in many organizations across industries. According to Chan (2002), leaders of organizations that fail to reach business-IT alignment struggle to articulate their organizations' IT needs, nor do they succeed in instilling business vision or knowledge. The author also argues that the value derived from the investment on IT in such organizations might be lower in relation to the overall return. There are other studies that have shown that achieving and maintaining business-IT alignment is important for organizations as IT continues to change the way they run their activities and organize business processes, communicate with customers and deliver their services (Avolio, Kahai & Dodge, 2000).

Numerous academic- as well as practitioners' articles and books have been published to further our understanding of the subject, organizations still falter in their attempt to demonstrate business-IT alignment. Despite the extensive scholarly deliberations, the IS and cognate domains' literature continue to provide different conceptualization and definition of business-IT alignment (Knoll and Jarvenpaa, 1994). For instance, Kanellis, Lycett, and Paul (1999, p. 66) describe business IT alignment as a phenomenon which encompasses "the fit between an organization and its strategy, structure, processes, technology and environment". A more specific definition of the term by Ra'ed and Wheeler (2001, p. 1097) presents business-IT alignment as "convergent intentions, shared understanding, and coordinated procedures." However, the widely accepted view of business-IT alignment (Chan, 2002; Coltman, Tallon, Sharma and Queiroz, 2015) remains to be "the degree to which the information technology mission, objectives, and plans support and are supported by the business mission, objectives, and plans" (Reich and Beinbast,2000, p. 82). According to Henderson and Venkatraman (1993), achieving business-IT alignment is possible when there is "fit" and "integration" between organizations' business- and information technology strategies, business infrastructures, and IT infrastructures.

On the other hand, literature reviews on business-IT alignment have revealed that previous studies did not provide sufficient attention to solving related practical issues. For instance, Karpovsky and Galliers (2015) and (Yayla, 2009) argue that the business-IT alignment literature remains to be too conceptual not reflecting the actual problems faced by today's organizations. Chan (2002), even though acknowledging the significance of the conceptual debates and having a holistic business-IT alignment view, argue that success in business-IT alignment is likely to result in from managing specific components of business-IT alignment. Other studies have also pointed out that the success of organizations to achieve and maintain business-IT alignment is the function of how IT as well as the different organizational factors are coordinated and fit together. For instance, Luftman, Lyytinen and Ben Zvi (2017) argue that it is on the best interest of organizations to spend their resources and focus on maximizing the enablers of business-IT alignment while minimizing the inhibitors. Among the different factors affecting business-IT alignment, several studies (Chan, 2002; Coltman et al., 2015; Fonstad & Subramani, 2009; Lee et al., 2008) have confirmed the importance of both formal and informal organizational structures.

ORGANIZATIONAL STRUCTURE

In organizational theory literature, organizational structure—also known as formal organizational structure sanctioned by the leaders of an organization—is described as an institutional configuration or arrangement outlining the division of labor in a rational and conscious manner (Mintzberg, 1989). This is in line with what Weber (1969) referred as a form of bureaucracy which is necessary for organizations as their objective is to make sure that no functional division is overlapped with the help of hierarchical coordination and control. All organizations, with no exception, have structures which are designed to facilitate the flow of information as well as human interactions (Tse & Olsen, 1990). According to Watad (2011 p. 60), organizational structures include the formal assignments of authority, patterns of communication, and design of activity, as well as the norms, values, and

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